Corporate Dividend Trends during the period of Industrial Growth and Planned Economic Development in India (1947—57)

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PREFACE

The present study has grown out of a small research paper prepared by the authors at the instance of the Research Programme Committee attached to the Department of Company Law Administration for advising the Department on matters relating to compilation and use of statistical materials available in the various documents and returns filed by the companies with the Government. Originally, the scope of the research paper was limited to the study of the levels of profits prevailing in certain principal industrial groups and their utilisation for distribution of dividend since 1947 onwards. The purpose of the paper was also to study the question of dividend distribution within a micro-analytical frame with the help of a sample of companies in 8 or 9 principal industries and to study the relative importance of various influences which determined the size and rate of equity dividends declared by the companies.

As it would be seen from the paper, the authors have based their study on a sample of 340—360 companies belonging to 9 principal industrial groups; they have chosen the period of study as 1947—57. In the course of their work, the authors expanded the scope of the study to cover, *inter alia*, such questions also as the relative attractiveness and stability of dividend returns noticeable in the principal industrial groups, changes in the relative position of dividend leaders and laggards, etc. While studying these problems, they also came across certain powerful forces which determined the dividend distribution policies of the companies covered in this study and in these case studies they found sufficient valuable material to write a detailed section entitled 'the rationale of dividend policy'. With regard to this chapter, the authors would like to emphasise that they have in no way attempted to construct any theory of dividend distribution but have only presented evidence which has hitherto not been distilled out of the mass of statistical data available in the financial statements relating to companies on profits, dividends and reserves, to show the behaviour pattern of equity dividends *vis-a-vis* the availability of profits, type of management of companies, type of industrial processes, size of companies, time-span of companies, growth of assets, needs of capital formation, liquidity position of borrowings, quantum of borrowings, etc. and the need for maintaining stability in dividend returns.

Notwithstanding the fact that the authors happened to be in a more privileged position in the matter of access to the sources of information, *viz.*, official records, than the other research workers usually are, they could not, surprising as it might seem to be, lay their hands upon the materials relevant to this study for reasons over which they had no control. For instance, the Department of Company Law Administration came to be organised only in 1956 and hence the annual accounts of public companies were put in order at the headquarters only from that time onwards. The authors did not have the financial records of companies ready at hand at the headquarters. Limited manpower resources did not also allow them to get the data culled out from the company files in the offices of Registrars of Companies. The various limitations and difficulties faced by the authors in the course of this study are mentioned in the first section.

In their present work, the authors were very greatly encouraged by the Secretary of the Department to whom they are thankful for his foreword to

this paper and for his critical comments on it and the very searching questions which he posed to the authors on this paper from time to time. The authors also had the benefit of receiving suggestions from the members of the Research Programme Committee all of which, however, could not be covered in the study for certain practical difficulties.

The study was completed early last year when the financial results of companies were available up to the end of 1957 only. The decision to publish this paper was taken only recently as a result of the sustained interest shown by many research workers who approached the officers of the Department for advice and guidance. At the time of sending the manuscript to the press, the financial accounts were available, in the complete sense, for 1958-59 and a study thereof would have delayed this publication by several months. The study has not, therefore, been extended to cover the more recent years as the authors thought that it would be more appropriate to project the trends studied in this paper some time later when the financial accounts of companies up to the end of the Second Plan period, *i.e.* 1960-61 are available. In the end, it might also be mentioned that the important consideration which led to the publication of this study was that a detailed study on dividends is not at present available in the country and this paper might usefully serve the purpose of those interested in the subject.

The responsibility for the views expressed in this paper rests entirely with the authors and the Department of Company Law Administration is in no manner committed to them.

The authors are grateful to Shri N. Natarajan, Investigating Officer, for his assistance in the compilation and processing of the data for this study. But for his help, this study would not have taken the present shape. The authors' thanks are also due to Shri H. Sircar for the pains he took in going through the manuscript of this study.

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FOREWORD

By all tokens, dividends to shareholders should have constituted an important subject of study relating to the economics of joint stock enterprise, and yet, curiously enough, very little work on this subject has so far been undertaken in this Country. Apparently, private enterprise, like health, is unconscious of its motions, but to all serious students of the anatomy and the physiology of the corporate sector, the study of dividends, in the context of the economic institutions of a country, is a matter of basic importance. It is primarily as an aid to this study that the present volume on Corporate Dividend Trends between the years 1947 and 1957 has been prepared by the Research & Statistics Division of the Department of Company Law Administration in the Government of India.

This publication is an elaboration of a summary study on dividends contained in an earlier brochure entitled 'Trends in Company Finances with particular reference to the First and Second Plan Periods' which was published by the authors of this volume about two years ago. It is largely a statistical study based on returns received in respect of 336 companies, covering a period of 10 years from 1947 to 1957. The difficulty of interpreting statistical correlations and of drawing causal inferences from them is well-known to students of economics and statistics. The strong point of this publication, however, lies not so much in the conclusions which it seeks to draw about the factors influencing the behaviour pattern of dividends, ~~but~~ as in the assembly and processing of a large amount of relevant statistical material relating to dividends, not readily available elsewhere, which the study presents to discerning students of this subject in a systematic and orderly manner. In this, this study may well claim to fill some long-standing gaps in our factual knowledge of the working of joint stock companies. It is primarily from this point of view, as a first step to rigorous analysis that the present volume was designed and is now being released to the public by the Department of Company Law Administration. The approval of the Department does not, however, necessarily extend to all the findings contained in it or to the expressions of opinion to which the authors may have committed themselves.

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Secretary, Department of
Company Law Administration,
Government of India.

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SECTION I

THE OBJECT AND THE SCHEME OF THE STUDY

This study is an elaboration of an earlier assessment of dividend trends attempted, in passing, in the study entitled 'Trends in Company Finances with particular reference to the First and Second Plan Periods' made by the authors of the present study. In the previous study, some basic data relating to the sources and forms of capital formation, allocation of profits between taxation, dividends and reserves, profit ratios, etc. were collected and compiled from the Reserve Bank of India studies on company finance and from other complementary studies undertaken in the Department of Company Law Administration and an attempt was made to bring out the significance of the trends disclosed by those data. In a short study dealing with the entire complex of the corporate finances, reference to the subject of corporate dividends could necessarily be brief. It is to focus the attention of the students of corporate finance on the trends of corporate dividends during the epoch-making decade of industrial development in our country that this supplementary study has been attempted. Usually the various studies on corporate finances pertaining to the indigenous joint stock companies available in our country have given greater attention to the corporate savings and reserves than to corporate dividends; in this way, the forces responsible for internal growth and strength of corporate bodies have been studied in great detail whereas the trends in the rate of return on capital in different industrial channels and the flow of capital into alternative channels of investments remained less marked out. In fact, there is at present no exclusive study on corporate dividends for recent years in the country. The present paper provides a macro and micro-analytical study of equity dividends and of the interplay of the forces which shaped the dividend policies of the joint stock corporate bodies in the country during the period 1947—57.

In a wider sense, the importance of the study of dividend trends lies in the assessment of the impact of equity dividend distribution and profit retention policies on the growth of companies and industries and on the dispersal of ownership of industries, and in the appraisal of the influence of dividend declaration on the course of security prices on the stock markets. While these appraisals could be made with relative ease, a probe into the real intentions and motivations underlying the dividend rates announced by company managements is a pretty difficult task. It is not possible to undertake such an investigation with the help of financial data available in the published annual accounts of companies. For this, one has to be well-equipped with factual information relating to financial, managerial and family inter-connections between the persons who constitute the policy-making elite of the corporate world and their significant doings at various points of time over a long period which made deep impacts and impressions upon the corporate and business fields. This knowledge is necessary for a really deep study of dividend trends, as the decisions relating to dividends, reserves and other financial policy-oriented matters are often taken by company directors of big corporate groups for certain reasons or in the light of certain future plans, glimmerings of which are difficult to be seen. The present paper does not aim at making such readings. Its scope is limited to bring out only broad, interesting and instructive trends from a baffling mass of dividend data collected for over 300 representative

companies for a period of 10 or 11 years *viz.*, 1947—57. Precisely speaking the authors of this study have tried to throw light on the following important aspects of the corporate dividend policies followed by company managements in the country:

(*i*) the pattern of equity dividends in the case of representative companies belonging to major industrial groups which, through the mechanism of stock exchanges, exercise a wholesome influence over the investment climate in the country;

(*ii*) the relative attractiveness and stability in dividend returns noticeable in the nine major industries covered in this study;

(*iii*) the changes in the relative positions of dividend leaders and the laggards; and

(*iv*) the relative degree of influence of the various financial criteria normally taken into account in the formulation of dividend policies over the levels of dividend rates by certain representative companies.

Thus it would be seen that the scope of the present study transcends beyond the mere observation of the general tendencies in dividend rates in the principal industrial groups during the developmental period 1947—57 which has already been studied in a macro-analytical frame by the Reserve Bank of India in their studies on company finances. The present study has been so planned as not to overlap the fields covered by the Reserve Bank studies, but to make certain additional information available to all those interested in this subject of company finance.

As regards the importance of equity dividends, it may be pointed out here at the outset that in a relatively under-developed industrial economy like ours, dividends form only a small proportion of the total payments made to various factors of production in the national economy. It is very naturally so, as the expanse and scope of corporate activities in the country is yet limited and the country still continues to be predominantly agricultural. But notwithstanding the smallness of the quantum of dividends distributed by the companies, their importance is steadily increasing with the increase in the number of industrial security holders or investors. Apart from this widening circle of investors drawn not only from the rich sections of the society but also from the middle classes, the corporate dividends, even with their small and apparently inconsequential size, can sometimes become a crucial factor in creating such an adverse investment climate that the expansion and growth of industries may be halted and the processes of industrial development brought dangerously close to the brink of a complete standstill and breakdown.

It is estimated that during the two years 1956 and 1957 on an average, about Rs. 88 crores were paid to the investors and entrepreneurs in our country annually on their contributions to the share capital of the companies, which averaged around Rs. 1,192 crores. The average total annual net earnings of the companies during the same period came to Rs. 133 crores out of which after payment of Rs. 88 crores as dividends, Rs. 45 crores were the built-in savings of the companies. It is estimated that out of the total amount of dividend distributed, about $\frac{2}{3}$rd of it was received by 'individual' income-tax assessees and the institutional or corporate bodies assessed to tax received $\frac{1}{3}$rd *viz.*, Rs. 23 crores out of the Rs. 70 crores. These figures give only a broad pattern of the distribution of dividend; the full implications of

dividend distribution can be brought out with a detailed breakdown of block shareholdings by persons.

Taking the annual average for the period 1951—57 as a whole, the quantum of dividend distributions amounted to Rs. 71 crores, out of the average total annual net corporate earnings amounting to Rs. 113 crores. The average annual accumulation of built-in savings of the companies for the same period came to Rs. 42 crores. Here, it would also be worthwhile to study the relative position of dividend payments *vis-a-vis* the payments made to other major parties directly or indirectly connected with the working of the corporate enterprises. The principal recipients of payments from companies can be grouped under 6 broad heads, *viz.*, (*a*) the State which receives corporation tax from companies, (*b*) the labour force and salaried staff employed by companies who receive wages and salaries for the labour input, (*c*) the suppliers of long and short-term loans on which interests are paid by the companies, (*d*) the investors and entrepreneurs who are paid in the form of dividends, (*e*) other miscellaneous parties to whom varied types of income accrue from the companies and (*f*) self-beneficiaries, that is, the companies themselves which retain a part of their current earnings as reserves.

It is seen that, during the period 1951—55, the 750* public limited companies which, in terms of paid-up capital, accounted for ⅔rd of the corporate sector, paid on an average, Rs. 31 crores as taxes to the Government. They paid Rs. 198 crores to their salaried staff and labour force, (wages paid to the labour force being approximately Rs. 158 crores), Rs. 9 crores to the suppliers of long and short-term credits, Rs. 28 crores as dividends, Rs. 102 crores as miscellaneous payments and retained Rs. 17·5 crores as reserves and added them to the existing reserve funds. In the succeeding two years of 1956 and 1957, 1,001 public companies which accounted for 4/5th of the total paid-up capital of the corporate sector made up of public companies, on an average paid annually Rs. 55 crores as taxes to the State, Rs. 290 crores to the salaried staff and labour force (out of which the share of labour force amounted to Rs. 232 crores), Rs. 20 crores to the suppliers of long and short-term credits, Rs. 42 crores as dividends, and Rs. 144·5 crores to the miscellaneous parties for services of various types rendered by them. They retained Rs. 19·5 crores as reserves annually. Relating the payments made to the two important factors of production, *viz.*, the labour and the capital, to the total net value added as represented by the net value of manufacture obtained after deducting direct costs (excluding salaries and wages) and depreciation, it is seen that during the five-year period 1951—55, payments to labour came to 41·1% of the total net value added whereas payments made by way of dividends and interests on share capital and borrowed capital worked out as 9·5%, dividends taken separately accounting for 7·5% of the net value. During the subsequent two years of 1956 and 1957, wages and dividend and interest payments worked out to 40·6% and 10·8% respectively of the total value added with dividends accounting for 7·4% of the net value added. Further, a study of the factor payments made by the 333 private companies representing in terms of paid-up capital 1/3rd of the corporate sector comprising private companies, disclosed that during the three years 1955—57, on an average, they paid Rs. 7 crores annually by way of taxes to the State, Rs. 31 crores as salaries and wages to the salaried staff and labour force (out of which wages accounted for Rs. 24·5, crores), Rs. 2 crores on interest payments, Rs. 4 crores as dividends and Rs. 23 crores towards miscellaneous payments. The

* *Vide* Statistics on Company Finances published by the Reserve Bank of India in its Bulletins of September, 1957 and August, 1959.

appropriated Rs. 1·7 crores towards the reserves. The average annual total value added for these private companies amounted to Rs. 69 crores out of which 35% was paid out as wages and 9·1% as interest and dividends of which dividends came to 5·8%.

The sharing by labourers, creditors, managing agents, Government, shareholders and self-beneficiaries namely companies in various industries, of profits after deducting all payments excepting those made to the forgoing participants can be studied from the Table given below, for the period 1950—57 as a whole. The figures for all industries together show that labour received 66·9% of the profits while interest, managing agency remuneration, taxation amounted to 3·3, 3·6 and 11·0 per cent respectively. About 6% of the profits were ploughed back while 9·6% of it were distributed to the shareholders. The maximum and minimum payments under the above six heads out of the profits made by industries in the nine industries studied, are given below:

	Maximum payment paid by (during 1950—57)		Minimum payment paid by (during 1950—57)	
Labour	Coal	(86·3%)	Cement	(46·1%)
Interest	Sugar	(7%)	Tea	(0·9%)
Managing agency remuneration.	Cement Sugar	(5·3%)	Iron & Steel.	(2·1%)
Taxation	Cement	(19·3%)	Coal	(4·7%)
Profit distributed	Other Plantations	(21·5%)	Coal	(4·2%)
Retained Profits	Iron & Steel	(15·0%)	Jute	(0·1%)

SOURCE : Table 2 page 6.

Table 1 below gives the estimates of global national income, national income pertaining to the private sector and the corporate sector, total dividends paid, total corporate savings and paid-up capital during the period 1951—57.

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TABLE 1

Estimate of National Income—Dividends and Corporate Savings 1951—57

(In crores of Rs.)

Year	Total national income	National income pertaining to private sector	National income pertaining to corporate sector	Total net corporate earnings	Dividends	Savings	Paid-up capital of Cos.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1951 ...	99,70	92,20	853	120	63	57	8,56
1952 ..	98,20	90,60	811	72	57	15	8,98
1953 ..	104,80	96,70	847	90	61	29	9,41
1954 ..	96,10	87,30	921	107	68	39	9,70
1955 ..	99,80	89,90	1,042	138	75	63	10,24
1956 ..	113,10	102,10	1,179	150	88	62	10,78
1957 ..	113,90	102,30	1,198	116	88	28	13,06

NOTES.—(*a*) Figures in Columns (2) and (3) are taken from White Paper on National Income brought out in March, 1961.

(*b*) Figures in Col. (4) to (7) are estimates made on the basis of paid-up capital coverage from the analysis results of 750/1001 Cos. published by R.B.I. in its Bulletins, (Sept.' 1957 and August' 1959.

(*c*) Figures in Col. (8) are taken from the Corporate Sector in India (P. 108).

TABLE 2

Expenses and Distribution of Profits—Average for 1950—1957

(Percentages)

(1)	Cotton (2)	Jute (3)	Iron and Steel (4)	Tea (5)	Sugar (6)	Paper (7)	Cement (8)	Coal (9)	Other Plantations (10)	Total (11)
1. Labour	79·5	80·9	57·8	67·9	50·3	50·6	46·1	86·3	48·3	66·9
2. Interest	2·8	2·3	2·0	0·9	7·0	3·4	2·0	1·1	1·1	3·3
3. Managing Agency Remuneration	3·8	4·2	2·1	3·7	5·3	5·1	5·3	2·3	2·9	3·6
4. Taxation	6·5	5·6	14·3	11·1	15·4	16·9	19·3	4·7	15·4	11·0
5. Profits Distributed	6·3	7·1	8·8	11·7	13·2	12·4	17·3	4·2	21·5	9·6
6. Retained Profits	1·1	0·1	—15·0	4·7	8·8	11·6	10·0	1·4	10·8	5·6
	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0

NOTE : Percentages are based on the analysis results of 750/1001 Companies published by the R.B.I. in its Bulletins (Sept.' 1957 and August' 1959)

In so far as the dividend announcements of the companies whose shares are listed on the stock exchanges matter much in determining the investment climate in the country and have wide repercussions over the corporate field, it would not probably be out of place in this study to throw some light on the nature and quantum of industrial securities quoted on the stock exchanges in our country. The factual information in this regard is not at present available in our country in such a manner that one could have proper comprehension of the size, range and nature of the business in industrial securities in the country. According to our computations made on the basis of the study of share lists published by the various stock exchanges, out of approximately 7,300 public companies at work in our country, the shares of about 1,150 public companies are quoted on the 7 stock exchanges enjoying official recognition from the Government under the Securities (Contracts) Regulation Act of 1956. The total paid-up capital value of the quoted shares, is estimated to be about Rs. 611 crores accounting for nearly 80% of the total paid-up capital of all public companies at work in the country or for 54% of the total paid-up capital of both the public and private companies at work (excluding the Government companies). The figures of debenture issues are excluded from these figures. The total number of share scrips including debentures belonging to these 1,150 companies add up to 1983 of which 1,209 are ordinary scrips, 610 preference scrips and 154 debenture scrips. The 1,209 ordinary scrips quoted on the Stock Exchanges cover 341·4 million ordinary share certificates and the 666 preference scrips cover 32·7 million preference share certificates. The 154 debentures quoted on the Stock Exchanges cover 35 lakh debenture certificates.

Having defined the scope of the study, the next important thing to do is to select representative groups of companies for each of the major industries proposed to be covered in the study. For such a study it is necessary that the selection of industries is done keeping in view the relative importance of the industries in the national economy and the interests of the investing public in the country. Viewed in this light, cotton textiles, jute textiles, coal, iron and steel, chemicals, engineering, cement, sugar, paper, tea and coffee & rubber plantations are the most important industrial groups in our country to which a study of the present type should relate. These 9 industries taken together accounted for 3,873 companies out of a total of 28,280 companies at work in the country as on 31st March, 1958 and in terms of paid-up capital, their total paid-up capital came to Rs. 601 crores in the overall total capital of Rs. 1,306 crores for all industries at the end of 1957-58. The percentage shares of companies belonging to the 9 industrial groups in the number and paid-up capital of all companies came to 11·6% and 34·2% respectively. Taking the public limited companies separately, whose ownership was rather widely diffused, the number and paid-up capital of the public companies belonging to the above major industrial groups were 1,930 companies and Rs. 361 crores respectively in the total number of 8,296 companies at workwith an aggregate paid-up capital of Rs. 774 crores. Table 3 below gives the relative position of each of the 9 selected industrial groups along with the aggregate position of all the industrial groups taken together.

TABLE 3

Relative Position† of the 9 selected major industrial groups in the Corporate Sector.

(Percentages)

Industrial Group	Companies at work: % to total No. of Cos. at work (1956-57)	Companies at work: % to total paid-up capital of Cos. at work	Public Companies: % to total public Cos. at work (1956-57)	Public Companies: % to total p.u.c. of all public Companies at work	Cos. quoted on Stock Exchanges (1960): % to total quoted companies	Cos. quoted on Stock Exchanges (1960): % to total No. of scrips quoted	Cos. quoted on Stock Exchanges (1960): % to total paid-up value of scrips quoted
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1. Cotton	2·6	11·7	6·3	16·2	18·1	20·8	16·1
2. Sugar	0·7	3·2	1·6	4·1	5·5	5·2	3·2
3. Tea ..	2·0	2·7	4·6	3·1	15·2	11·3	2·4
4. Coffee & Rubber	0·4	0·6	1·1	1·0	4·6	5·0	1·0
5. Paper ..	0·4	1·5	0·8	2·0	1·3	2·0	2·5
6. Jute ..	0·3	3·0	1·0	4·3	5·0	6·6	4·4
7. Coal ..	1·7	2·3	2·3	2·5	6·6	5·4	2·1
8. Iron & Steel* (including engineering,)	3·4	6·8	3·1	8·0	6·1	6·6	12·8
9. Cement	0·1	2·4	0·3	3·7	1·6	1·6	5·4
TOTAL	11·6	34·2	21·1	44·9	64·0	64·5	49·9

Apart from the questions of selection of industrial groups the basis adopted for which has been explained earlier and of the selection of representative samples of companies within the selected industrial groups which has been dealt with later, the other important questions to be tackled at the very outset are the determination of types of auxiliary data which have to be collected and the sources of information to be referred to for collation of the required data. The collection of some additional data apart from the quantum and rates of dividends would be necessary for bringing out the significance of dividends in terms of certain accepted financial ratios. Apart from taking dividends as a percentage of paid-up value of shares, the other ratios commonly used in studies of the present type are the ratio of dividend to market price, which in the financial terminology is called the 'yield', the ratio of dividend

*Includes Iron & Steel (basic manufacture) and Machinery (other than Transport and Electrical) including Engineering workshops.

† Percentages in columns 2 to 5 are based on data given in the Annual Blue Book "Joint Stock Companies in India (1956-57). Part I." Percentages in columns 6 to 8 are based on data furnished in Table 77 of the "Corporate Sector in India".

to net worth and the ratio of dividend to net profits (after taxation and depreciation). For calculating these ratios, data under financial heads such as paid-up value of equity shares, reserves, net worth, net profits (profits after depreciation and taxation), amount of dividend distributed, retained profits and market value of the equity shares have to be calculated in respect of each of the companies selected by us for the entire length of the period covered in our study. The basic sources of information of the foregoing kinds are the company balance sheets and the stock exchange price registers. These primary and basic sources of information, however, are not readily available to us. A systematic record of company balance sheets was available to us only from 1956, when the Department of Company Law Administration, soon after its creation, embarked upon this task. Thus excepting for the last few years of the time-span of our study, it is not possible to conveniently lay our hands on company balance sheets without going through the company document files maintained in the offices of the Registrars of Companies in the various States. Thus in the face of these difficulties, the use of secondary sources of data was found necessary. The secondary sources used by us for the present study are the Investors' Year Books published by the firm of M/s. Place, Siddons & Gough of Calcutta and the Investors' Encyclopaedia issued by M/s. Kothari & Sons, Madras. These publications covered almost all the leading corporate enterprises of the country, particularly those whose shares are actively traded on the stock exchanges in the country. The use of these secondary sources of data, however, imposed a few serious limitations upon our study. Firstly, the selection of companies was considerably influenced by the coverage of companies in these publications. Secondly, the data given under the various heads required by us for our study had to be taken with the accounting concepts implicit therein. Thirdly, the continuous time series for the various financial heads could not be built in respect of all the companies selected for the study as the required information from the balance sheets was not available for all the years under study in these publications. Fourthly, as the Year Books gave the financial information in only summary form, it became difficult to make a more discerning study of the problems revealed in the data collected. The cumulative result of these limitations was that the gaps had to be filled up with the estimated figures and the computation of certain ratios had to be confined to a few years only. For example, as would be seen in the later sections of this paper, the ratio of dividends to net worth could be calculated for only four of the eleven years *viz.*, 1948, 1951, 1956 and 1957.

The selection of companies for our study has been made bearing in mind three main considerations. Firstly, all those companies, the ownership of whose shares was widely distributed and which were well-known for their operations were to be included. Secondly, the companies for which data were available for the entire period under review in the foregoing two sources were to be selected. Thirdly, to the extent possible an attempt was to be made to strike a regional balance among the companies selected for the study. For the sake of convenience, the optimum size of the sample for the study was fixed at 336 companies. (Detailed list is given in the Appendix).

The following Table 4 gives the paid-up capital coverage of the companies selected for the present study. It will be seen that excepting coal, sugar, iron and steel, tea and cotton industries in which case the paid-up capital of the selected companies worked out to nearly 1/3rd of the paid-up capital of all companies at work belonging to these groups, in the other four industries, *viz.*, jute, cement, paper and coffee and rubber plantations, the coverage works out to about

50% and more. The coverage of the selected public companies is still better on the basis of the ratio of their paid-up capital to the paid-up capital of those public companies which are quoted on the Stock Exchanges.

TABLE 4

Coverage of the Sample

(Paid-up capital in Crores of Rs.)

Industry	No. of companies covered and their paid-up capital			Paid-up capital in Col. 3 and 4 as % of paid-up capital of all companies (Public & Private) in the group at work		Paid-up capital in Col. 4 as % of paid-up capital of such companies as were quoted on the Stock Exchanges in 1960
	No.	Paid-up capital (equity shares) 1948 (Rs. crores)	1956	1948	1956	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Cotton	65	31·3	41·2	45·7	32·8	36·8
2. Jute .	41	14·8	17·4	63·0	55·4	57·0
3. Coal ..	42	6·4	7·2	37·9	29·1	48·3
4. Iron & Steel	15	16·2	22·0	43·2	30·1	24·7
5. Cement ..	7	12·8	17·4	65·0	65·9	46·0
6. Sugar	23	7·3	8·3	33·2	24·2	37·7
7. Paper ..	9	5·3	8·4	72·6	50·6	47·8
8. Tea	108	7·0	8·6	34·1	29·9	51·2
9. Coffee & Rubber. ..	26	3·6	5·0	72·0	66·7	72·5
All Industries	336	104·7	135·5	35·2	31·2	50·0

NOTE : (1) Paid-up capital figures in column 3 have been taken from the "Annual Blue Book on Joint Stock Companies in India (1956-57) Part I."

(2) Paid-up capital figures in column 4 have been taken from Table 77 of the "Corporate Sector in India".

SECTION II

THE PATTERN OF DIVIDENDS

This section deals with the pattern of dividends in the principal industries covered in this study during the period 1947—57. The study has been made of the dividends not only as a percentage of the paid-up capital but also as a percentage of the net profits, average market value and net worth. For purposes of calculating the yield ratio, the average market values have been arrived at by taking the arithmetic mean of the highest and the lowest levels of share prices touched during the year. The net worth comprises paid-up capital and reserves as shown in the two sources of information consulted for this study. The averages for the industries are the unweighted arithmetic averages for the companies selected for study under each industrial group. Further, while continuous time series for the entire period of the study have been constructed for the three dividend ratios *viz.*, dividends as percentages of net profits, paid-up capital and average market value, a running series for the entire period 1947—57 could not be constructed for the fourth ratio, *i.e.*, dividends as a percentage of net worth because of the non-availability of requisite figures of net worth for all the years. For this reason, therefore, the last named ratio could be calculated for four years only—1948, 1951, 1956 and 1957.

Cotton Textile Industry

A study of equity dividends as a percentage of net profits for this industry represented by 64/65 companies reveals that during 5, *viz.*, 1947, 1950, 1953, 1955 and 1956 out of the 11 years, equity dividends on the average amounted to 51% to 58% of the net profits available for distribution and for ploughing back into business. The equity dividends came to 25·6% and 41% in 1948 and 1951 respectively and varied between 62% and 76% in the years 1949, 1952 and 1954. In 1957, they exceeded the net profits by nearly 38% which showed that a portion of the accumulated reserves had been impounded or drained off for dividend distribution purposes. This had happened during the last year of the study, *viz.*, 1957 which was a bad year for the cotton textile industry.

The average levels of dividends as percentages of paid-up equity capital fluctuated within a very narrow range, *viz.*, 9·1% to 12·2% during the 11 years period. It worked out to between 9% and 9·7% during 1948, 1949, 1950, 1952 and 1957, between 10% and 11% in 1951, 1953 and 1954, between 11% and 12% in 1947 and between 12% and 12·2% in 1955 and 1956, the highest and lowest averages having been recorded in 1955 and 1957 respectively. The average ratios of absorption of net profits in dividends to paid-up capital reveal that during three of the five years of comparatively lower levels of dividend returns on capital, more than 60% of the net profits had been utilised for the low dividend distributions, as against which in 1955 and 1956, an average distribution of more than 12% was rendered possible by taking off only 50% to 55% of the net profits.

As compared to the 3·1 per cent fluctuation noticed in the average dividend return on the paid-up capital over the period 1947—57, the 'spread' in the dividend yield worked out to only 2·6 per cent, the highest and lowest percentages of dividend yield being 6·9% and 4·3% recorded in 1955 and 1957 respectively. During the 8 years, *viz.*, 1949 to 1956, the textile companies gave

a steady yield of 6 to 7% and in the other two years 1947 and 1957, the average yield came to 4·3% and 4·4% respectively and to 5% in 1948. Dividends as percentages of net worth showed very little change during the three years 1948, 1951 and 1956 varying between 7·5% and 7·9%. In 1957, this ratio touched a markedly low level (5·4%) due to the worsening of the profits position of the cotton textile industry in that year. Table 4 gives the average dividend ratio for the 64/65 companies for the period 1947 to 1957.

TABLE 5

Dividend Ratios and Indices

(Cotton Textile Industry)

Year	DIVIDENDS As % of net profits	DIVIDENDS As % of paid-up capital	DIVIDENDS As % of average market value	DIVIDENDS As % of net worth	DIVIDENDS Dividend Index (1947-100)	Net profits index (1947-100)	Paid-up capital index (1947-100)	Equity price index (1952-100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	52·2	11·6	4·4	—	100	100	100	—
1948	25·6	9·6	5·0	7·5	97	198	117	—
1949	62·3	9·3	6·2	—	101	85	126	—
1950	51·0	9·7	5·9	—	112	115	134	—
1951	41·0	10·7	6·5	7·9	130	167	141	—
1952	75·6	9·2	6·3	—	114	79	143	100
1953	57·6	10·4	6·7	—	131	119	146	102
1954	65·3	10·1	6·4	—	128	103	147	114
1955	55·3	12·2	6·9	—	151	149	150	126
1956	51·3	12·0	6·4	7·8	153	162	154	143
1957	137·7	9·1	4·3	5·4	121	48	161	112

Columns (2) and (3)—Figures for 1947—55 relate to 65 companies and for 1956-57 to 64 companies.

Column (4)—Figures for 1947—55 relate to 57 companies and for 1956-57 to 53 companies.

Column (5)—Figures for 1948 and 1951 relate to 65 companies and for 1956 and 1957 to 41 companies.

Columns (6) to (8)—Linked series.

Apart from the trends in the average dividend ratios commented upon in the foregoing paragraphs, the study of distribution pattern of the companies in the broad class intervals of the dividend ratios based on each of the four criteria selected for this study, presents several interesting facts *vide* statements 1—4. The study of the distribution pattern of companies over the class intervals of dividends as percentages of net profits shows that excepting during 1948 and 1951, 26 to 36 companies, that is, half of the 64/65 textile companies, utilised 50% and less of the net profits for distribution as dividends to the equity investors during 9 of the 11 years under study. In the other two years—1948 and 1951, the numbers of such companies were 57 and 41 respectively.

Eight and more companies drew upon the reserves for declaring dividends on equity capital during the years 1949, 1952, 1954 and 1957, the number of such companies having risen to 13 in the last year.

The study of the distribution pattern of companies arranged on the basis of the ranges of dividends as percentages of paid-up capital shows that excepting during 1950, 1954 and 1957, in all other years, 24 to 33 cotton textile companies paid dividends between 12% and 25% of the paid-up capital. In 1957, they numbered 16 whereas in 1950 and 1954 their numbers came to 21 and 22 respectively. There were some companies which paid bountiful dividends to the investors. The number of such companies paying dividends of 25·5% or more on the paid-up capital was 7 in 1947, 5 in 1949, 4 each in 1948 and 1955, 3 each in 1951 and 1954, 2 each in 1950, 1952, 1956 and 1957. On the side of the lower dividend ranges, it is seen that the numbers of companies declaring 'nil' dividend or only marginal dividends *i.e.* less than 2·5% of the paid-up capital were 13 and 17 respectively in 1954 and 1957; in 1947, 1949, 1952, 1953 and 1955, the numbers of such companies varied between 7 and 10. In the next higher dividend range, *viz.*, 2·5 and 5·5% there were 4 to 7 companies and in the next two class intervals, *viz.*, 5·5% to 8·5% and 8·5% to 11·5% the number of companies varied between 13 and 30 during the period under review.

A study of the distribution pattern of companies in the class intervals based on dividends as percentages of average market value reveals a very heavy concentration of companies in the two class intervals, *viz.*, 2·5% to 5·5% and 5·5% to 8·5%. These two class intervals among themselves account for 35 to 48 of the 53/57 companies in respect of which the average market value of shares could be calculated. The return on the average market value, however, worked out to a very high percentage figure in the case of 1 to 3 companies whereas it was found to be moderately high in the case of 8 to 10 companies during the period under review.

A further study of the distribution pattern of companies in the class intervals of dividends as related to net worth for the years 1948, 1951, 1956 and 1957 discloses that as compared to the distribution pattern of companies arranged under the class intervals of dividend returns on the paid-up capital, the spread of companies in the case has shifted towards the lower class intervals. (For details, see statements 1 to 4 at the end of the text).

Sugar Industry

The overall dividend trends based on the study of financial data for 21—23 sugar companies are summarised in Table 6 given below and the results from the frequency analysis are given in statements 5 to 8 at the end of the text. From Table 6, it will be seen that excepting in 1948, when equity dividends absorbed 22·4% of the net profits and in 1947 and 1951 when these proportions worked out to 35% and 39·9% respectively, in the other years of the period under study, 40% to 56·3% of the net profits was utilised for distribution of dividends to the equity investors. Thus, in contrast to the cotton industry, the quantum of net profits of the sugar companies was sufficiently large to distribute dividends ranging between 7 to 14% of the paid-up capital. The equity dividends as percentages of paid-up capital in Table 6 below show a more or less continuously upward trend from 1950 onwards. As compared to the other years under study, only in 1947 and 1949, investors got a comparatively lower return on their paid-up capital. But in contrast to the steady

upward trend noticed in the average dividend as percentage of paid-up capital, the percentage ratios of dividends to the average market values showed fluctuations ranging between 3·6% to 9·9%. In terms of yield, the best results were seen in 1948, where as the yield was substantially high in 1953, 1956 and 1957, the actual percentage average yield being 8%. The return on net worth worked out to 6% in 1948, 6·8% in 1951 and again 6% in 1956. In 1957 this ratio increased to 7·5%.

TABLE 6

Dividend Ratios and Indices

(*Sugar Industry*)

Year	DIVIDENDS: As % of net profits (1947-1955 : 23 Cos. 1956-57: 21 Cos.)	As % of paid-up capital (1947-55 : 23 Cos. 1956-57—20 Cos.)	As % of average market value (1947-55 : 16 Cos. 1956-57—14 Cos.)	As % of net worth (1948, 1951, 1956 and 1957—23 Cos.)	Dividend index (1947=100)	Net profits index (1947=100)	P.u.c. index (1947=100)	Equity Price index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	35·0	6·6	3·6	—	100	100	100	—
1948	22·4	7·6	9·9	6·0	131	207	114	—
1949	44·1	7·7	3·6	—	134	108	115	—
1950	42·4	7·9	5·1	—	158	132	131	—
1951	39·9	9·0	5·6	6·8	179	159	131	—
1952	47·2	8·7	6·6	—	173	130	131	100
1953	47·1	11·0	8·1	—	229	172	136	100
1954	56·3	10·9	4·9	—	234	147	141	119
1955	48·0	11·6	6·0	—	250	185	142	124
1956	42·1	9·8	8·4	6·0	300	161	129	124
1957	49·3	13·5	8·9	7·5	333	188	131	112

The study of dividends as percentages of net profits as given in statement No. 5 discloses that 1 to 3 companies had to draw upon the accumulated reserves for purposes of dividend distributions. In most of the years, 4 to 7 sugar companies used 75.5% to 100% of the net profits for dividend distribution and 4 to 8 companies made appropriations of the order of 50·5% to 75·5%. Five to nine companies distributed dividends between 25·5% and 50·5%. During 1947 to 1954, 1 to 12 companies utilised less than 25·5% of the net profits for dividend distribution and due to inadequacy of profits as many as 3 to 9 companies did not make any appropriations for dividends out of net profits during the period 1947—54. In the subsequent years, *i.e.* 1955—57, the number of sugar companies which did not distribute any dividends diminished to 2 to 3, as, by and large, the position of the annual earnings of the sugar companies considerably improved in those years.

The study of return on paid-up capital reveals that the first five years of the period under study being one of low profitability for the sugar industry, 4 to 9 companies out of 23 did not declare any dividends and in the case of 4 to 12 companies, dividends as percentages of paid-up capital did not exceed 8·5% leaving 7 to 12 companies which gave a return ranging between 8·5% and 25·5% *vide* Statement No. 6. From 1952 onwards the numbers of companies showing *nil* or low dividend percentages were 1 to 8 companies and 10 to 12 companies gave a return of 11·5% and more. The general improvement in the distribution pattern of companies noticeable in the case of return on paid-up capital is also reflected in the return on net worth *vide* Statement No. 8. Further, as regards yield, it is observed that a majority of the companies clustered in either of the three class intervals, *viz.*, 2·5% to 5·5%, 5·5% to 8·5% and 8·5% to 11·5% *vide* Statement No. 7. During the period 1947—50, half or more than half the sugar companies under study conncentrated in the first two of the three class intervals mentioned above, whereas during 1951—57, the concentration had increased in the latter two class intervals.

Tea Industry

The overall dividend trends as reflected by 107-108 tea companies are given in the following Table 7. It will be seen that excepting for three years when about 30% to 50% of the net profits was appropriated for dividend distribution, in all other years, either more than 50% of the net profits was utilised for dividend distribution, or even a portion of accumulated reserves was drained off for this purpose. Thus the tea companies, by and large, augmented their reserves by a very small margin and their principal concern was to hold the dividend line inspite of the inadequacy of profits earned during the year. A study of the dividends as percentages of paid-up capital shows that except in two years, *viz.*, 1951 and 1952, when this ratio came to 2.8% and 9·3% in all other years, the profit ratios worked out to more than 10%. It was observed to be as high as 36.6% in 1954. During 6 of the 11 years under study, the return on capital was found to be generally stable around 14/15%. Like this ratio, dividends as percentages of average market value also showed very wide fluctuations due to wide movement of prices of tea shares from year to year. Similarly, the dividends as percentages of net worth also fluctuated widely with 10·1% observed in 1948, 6% in 1951, 9·1% in 1956 and 6·1% in 1957.

TABLE 7

Dividend Ratios and Indices

(*Tea Industry*)

Year	DIVIDENDS: As % of net profits (1947-55-108 Cos. 1956-57-107 Cos.)	DIVIDENDS: As % of paid-up-capital (1947-55: 108 Cos. 1956-57:107 Cos.)	DIVIDENDS: As % of average market value (1947-55: 109 Cos. 1956-57: 105 Cos.)	DIVIDENDS: As % of net worth (1948-1951 : 109 Cos. 1956-1957 : 105 Cos.)	Dividend Index (1947=100)	Net Profits Index (1947=100)	PUC Index (1947=100)	Equity Price Index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	49·5-	17·3	5·8	—	100	100	100	—
1948	67·0	13·9	4·9	10·1	86	63	119	—
1949	62·2	14·7	7·1	—	91	73	119	—
1950	54·6	21·5	10·0	—	124	113	118	—
1951	68·0	9·3	3·2	6·0	58	42	120	—
1952	—	2·8	1·4	—	18	—	120	100
1953	32·2	15·8	8·6	—	99	152	120	103
1954	44·8	36·6	14·9	—	251	277	125	175
1955	105·5	14·7	4·8	—	102	48	132	208
1956	57·5	17·4	5·8	9·1	131	114	146	191
1957	83·2	13·2	4·6	6·1	7·5	45	110	146

Our study further reveals that 40 to 63 tea companies out of a total of 108 tea companies utilised 50·5% to 100% of the net profits for purposes of dividend distribution during the period 1947—1951, while 3 to 9 companies made drafts upon their accumulated reserves. In 1952 which was the worst year for the investors in tea shares, as many as 83 companies declared no dividends at all and, therefore, the question of appropriation of net profits for dividend distributio did not arise. In that year, of the remaining 25 companies which declared some dividends 9 appropriated 50·5% to 100% of net profits and 8 companies made withdrawals from the accumulated reserves. During the subsequent two years 1953 and 1954, 43 to to 46 tea companies appropriated net profits to the extent of 25·5% to 50·5% and 20 to 38 companies appropriated between 50·5% and 100% for dividend distribution. As a result of improved financial working results, no company was obliged to draw upon its reserves. During the period 1955 to 1957, the number of

tea companies appropriating 50·5% and 100% of the net profits for purposes of distribution of dividends to the equity shareholders varied between 35 and 47 companies, while 24, 6 and 21 companies made in-roads into their reserves in 1955, 1956 and 1957 respectively *vide* Statement No. 9.

A reading of the distribution pattern of companies arranged under dividend ranges shown as percentages of paid-up capital reveals (*vide* Statement No. 10) that excepting during 1952, when 78 of the 108 tea companies did not declare any dividends, in all other years, nearly 1/3rd to 2/3rds of the tea companies distributed dividends exceeding 15.5% on the paid-up capital. In 1954 as many as 83 companies did so and out of these, 46 companies distributed dividends of more than 40·5%. It is further seen that excepting in two years, *viz.*, 1952 and 1954, when 9 and 12 companies distributed dividends between 8·5% and 15·5%, in the other 9 years, 17 to 29 companies distributed dividends of that magnitude.

As for the yield, it will be seen that excepting in 1954, when 12 tea companies came under the top yield bracket of 25·5% and more, in all the other years excepting one or two companies here and there, the yield rates in general was found not to exceed 25·5%. During the first five years of the study, the largest number of tea companies gave yields ranging from 5·5% to 11·5% while during the two-year period 1953-54, they, by and large, recorded (*vide* Statement No. 11) higher yields. Later, during 1954 to 1957, they once again displayed lower yields. But here it might be mentioned that apart from the variations in the quantum of dividends declared, it was rather the fluctuations in the market value of tea shares which brought out these mercurial shifts in the yield ratio.

The distribution pattern of companies in the class intervals of dividends calculated as percentages of net worth displayed a similarity of trend between 1948 and 1956 on the one hand and between 1951 and 1957 on the other *vide* Statement No. 12.

Coffee and Rubber

Compared to the tea companies, the number of coffee and rubber companies included in our study is smaller being only 26-27 as against 107-108 tea companies. In contrast to the tea industry in which case it was noticed that, by and large, companies appropriated a significant portion of the net profits or even drew upon their reserves for the purpose of distribution of equity dividends during many a year, in the cases of coffee and rubber the maximum appropriation of net profits of companies in any year came to 65%. The proportion of appropriation of profits rose steadily from 38·9% in 1947 to 65·1% in 1957. A similar upward movement is also noticed in the dividends as percentages of paid-up capital which varied between 6·5% and 18·3%. As compared to the tea companies, excepting in the three years 1951, 1952 and 1956, in all the other years percentage dividends in this industry was lower. As a result of the steadiness in the market value of the coffee and rubber shares, dividends as percentages of average market values did not register any wide deflections from the figures of dividends as percentages of paid-up capital. The experience of tea companies was, however, quite different from this. From the point of view of investment return on net worth, coffee and rubber plantations gave a better return than tea companies during 1951, 1956 and 1957 when it came around 9% to 11% as against 6% to 9% in the case of tea. In 1947, however, the return in the case of coffee and rubber companies worked out to 6·6% as against 10·1% for tea industry.

TABLE 8

Dividend Ratios and Indices

(Coffee and Rubber Industry)

Year	DIVIDENDS: As % of net profits (1947-55 : 26 Cos. 1956-57 : 27 Cos.)	DIVIDENDS: As % of paid-up capital (1947-55 : 26 Cos. 1956-57 : 27 Cos.)	DIVIDENDS: As % of market value (1947-57 : 26 Cos.)	DIVIDENDS: As % of net worth (1948-51 : 26 Cos. 1956-57 : 27 Cos.)	Dividend index 1947 : 100	Net profit index 1947 : 100	Paid-up capital index 1947: 100
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1947 ..	38·9	6·8	5·1	—	100	100	100
1948 ..	39·9	6·5	6·4	6·6	97	95	101
1949 ..	39·7	8·6	7·6	—	128	125	101
1950 ..	41·4	12·4	9·5	—	185	174	101
1951 ..	41·7	13·4	10·1	8·9	214	199	108
1952 ..	49·4	11·5	9·8	—	192	151	113
1953 ..	45·8	15·4	11·2	—	265	225	117
1954 ..	54·7	18·3	11·6	—	329	234	122
1955 ..	59·8	16·6	10·2	—	314	204	129
1956 ..	63·6	17·5	9·5	10·7	368	220	140
1957 ..	65·1	12·9	7·9	8·3	279	163	144

A study of the quantum of net profits utilised by companies for purposes of dividends shows that in most of the years more than half the companies appropriated profits ranging from 25·5% to 75·5% for distributing dividends to the equity shareholders. During the period 1953 to 1957, 6 to 12 companies appropriated even more than 75% and during 1952, 1954, 1956 and 1957, 3 to 5 companies drew upon their reserves for purposes of dividend distribution *vide* Statement No. 13.

During the period 1947—52, 10 to 13 companies out of a total of 26 coffee & rubber companies paid 5·5% to 11·5% dividends on the equity capital and during 1953 to 1957, 3 to 5 companies paid dividends between 8·5% and 11·5%. In 1954, dividend returns showed an improvement and as many as 14 companies out of 26 distributed dividends between 15·5% and 25·5% on the paid-up capital. Excepting in 1950, when one company distributed dividends of more than 40·5% on its paid-up capital in the other years, the return on capital for these companies was less than 25·5%. There was only one company which distributed dividends above that, but well within 40·5 %. Only in 1956, 3 companies paid dividends between 25·5% and 40·5% on the paid-up capital. The number of companies declaring *nil* dividends dwindled from 8 to 3 during the period 1947 to 1952 and later on this number came down to one (*vide* Statement No. 14).

The distribution pattern of companies arranged on the basis of yield ratios, as given in Statement No. 15, displayed more or less the same trend as that seen in the paid-up capital ratio. Unlike the tea industry, the market prices

of coffee & rubber shares ruled only slightly above the paid-up value of the equity shares with the result that the range between return on capital and yield was quite narrow.

Paper Industry

The dividend trends in this case have been studied for a smaller number of companies but these are the most important and representative paper companies of the country. The number of companies covered is 8/9. The average appropriations from net profits for purposes of dividend distribution to the equity shareholders came to more than 78% during the first three years 1947 to 1949 and during last year of our study *i.e.* 1957. This was so because the levels of net profits were low in these years. Excepting in 1954 when the appropriations from the net profits averaged around 37%, they varied between 44% and 63%. The average return on paid-up capital varied between 4·7% and 11·5% during the period of the study. The yield ratio showed a wide divergence from the percentage return on the paid-up capital in some years. This was largely accountable to the rise in the prices of paper scrips. This gap was particularly wide during the years 1947, 1950, 1951, 1953, 1956 and 1957. The returns on net worth worked out to 4·6% and 4·7% in 1948 and 1956 whereas they were 6·7% and 6·3% for 1951 and 1957 respectively.

TABLE 9

Dividend Ratios and Indices

(Paper Industry)

Year	DIVIDENDS				Dividend index (1947=100)	Net profit index (1947=100)	PUC index (1947=100)	Equity price index (1952=100)
	As % of net profits (1947-55 : 9 Cos. 1956-57 :6 Cos.)	As % of paid-up capital (1947-55: 9 Cos. 1956-57: 8 Cos.)	As % of average market value (1947-57: 7 Cos.)	As % of net worth (1947-51 : 9 Cos. 1956-57 : 7 Cos.)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947 ..	96·5	7·2	3·0	—	100	100	100	—
1948 ..	78·0	5·4	6·1	4·6	82	101	108	—
1949 ..	85·4	5·9	5·1	—	88	99	108	—
1950 ..	59·7	8·1	4·7	—	131	211	116	—
1951 ..	50·8	7·2	7·4	6·7	116	220	116	—
1952 ..	44·5	5·0	7·4	—	79	169	113	110
1953 ..	52·4	4·7	5·7	—	77	147	118	105
1954 ..	36·9	7·0	7·1	—	116	302	119	140
1955 ..	67·0	8·2	7·1	—	193	277	170	170
1956 ..	63·3	10·4	6·1	4·7	250	375	171	176
1957	89·5	11·5	6·1	6·3	276	293	171	140

A reading of the distribution pattern of companies arranged according to class intervals of dividends as percentages of net profit as given in Statement No. 17 disclosed that during the first three years of the period under study, out of 9 paper companies 2 to 3 paper companies drew upon their reserves for distribution of dividends, 3 to 4 companies made appropriations between 25·5% to 100% and the remaining 2 to 3 companies either made little appropriations, if any, as they declared no dividends. During the period 1950 to 1953, 4 to 5 companies appropriated net profits between 25·5% and 100% and excepting one company in 1953 which drew upon its reserves, 3 to 5 companies during this period appropriated net profits to a very small extent. Excepting one company in 1955 which made no appropriations for dividend distribution, as it did not pay any dividends, all other companies appropriated more than 25·5% of net profits with one company making drafts on the reserves during 1955 to 1957.

The distribution pattern of companies according to class intervals of dividend as percentages of paid-up capital showed a more or less uniform concentration of companies in three dividend ranges of which the higher and lower limits were 15·5% and 5·5%. There was only one company in 1947 and one in 1957 which distributed dividends of more than 25·5% but below 40·5%. During the last 4 years of the study, no company paid *nil* or low dividends. In fact, during this period, the companies showed a shift towards the higher dividend ranges as compared to the first 4 years of the period under study (*vide* Statement No. 18).

The high level of paper share prices reduced the dividend yields calculated on average market value in the case of this industry (*vide* Statement No. 19). Excepting one or two companies, in all the other cases, yield worked out to less than 8·5%. In 1947, 1954 and 1955, four to five companies recorded yields between 2·5% and 5·5%. In the case of return on net worth, however, there was concentration of companies in the two class intervals, *viz.*, 2·5% to 5·5% and 5·5% to 10·5%. (For details see Statement No. 20).

Jute Industry

A study of the average dividend trends in the jute industry based on a study of 35/41 jute companies disclosed that varying proportions of net profits had been appropriated in the case of this industry from year to year (*vide* Table No. 10 below). In 1947, 88% of the net profits were utilised for purposes of equity dividend distribution and in the following two years, this proportion came down to 50% to 60%. In 1950-51, this proportion was further reduced to 36% to 40%. After 1952, during 1953-55, profit allocations for dividends rose to 50% and more and in a few years the entire amount of net profits was distributed away and over and above this, a draft upon the reserves was also made in 1955. The jute industry as a whole ran into loss in 1956 and as a result of this, the companies skipped over the distribution of dividends in that year and thus the contingency of withdrawals from the reserves did not arise.

The course of dividend as percentages of paid-up capital is also noticed to be very uneven, the average dividend declared varying between 3·7% in 1956 and 25·2% in 1947. During the pre-plan period, 1947 was the best year from the point of view of dividend returns to the equity shareholders. In the plan periods, 1951 was the best year. During the last three years 1955 to 1957, the jute equity dividends were comparatively less than those of the earlier years. During the 11 years period of our study, the yield on jute shares varied between 2·3% and 5·8%. The yield ratios for this industry in fact were lower than those for the cotton textile industry during all the years

except in 1947. The ratios of dividends to net worth worked out to 10·8% and 10% in 1948 and 1951 respectively. These are higher than those for the cotton textile industry. In the more recent years 1956 and 1957, the return on net worth was drastically reduced below 3%.

TABLE 10

Dividend Ratios and Indices

(Jute Industry)

	DIVIDENDS							
Year	As % of net profits (1947-55 : 41 Cos. 1956-57 : 35 Cos.)	As % of paid-up capital (1947-55 : 41 Cos. 1956-57 : 35 Cos.)	As % of average market value (1947-55 : 41 Cos. 1956-57 : 35 Cos.)	As % of net worth (1948-51 : 41 Cos. 1956-57 : 35 Cos.)	Dividend index (1947=100)	Net profit index (1947=100)	Paid-up capital index (1947=100)	Equity price index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	88·3	25·2	5·0		100	100	100	
1948	50·8	9·1	3·7	10·8	42	73	117	
1949	58·9	4·9	2·7		24	36	124	
1950	35·9	13·9	5·8		68	168	123	
1951	39·9	14·2	5·4	10·0	70	154	123	
1952	60·5	8·7	4·2		47	68	124	100
1953	66·1	7·4	4·2		39	51	131	90
1954	52·1	8·7	4·8		46	78	132	102
1955	103·6	6·7	3·5		37	31	137	104
1956	..	3·7	2·3	2·7	22	..	137	77
1957	52·4	5·8	4·1	2·1	35	53	137	57

The distribution pattern of companies arranged according to the range of dividends as percentages of net profits, *vide* Statement No. 21, showed that 50·5% and more of the net profits were appropriated for dividend distribution by 32 companies in 1947, 16 in 1948, 11 in 1949, 12 in 1950, 15 in 1951 and 20 in 1952, whereas 6, 18, 6, 18, 17 and 8 companies made appropriations between 25·5% and 50·5% during the same years respectively. In 1949 and 1952, as many as 16 and 12 companies did not make any appropriations out of the net profits as very low dividends were declared by the jute companies. In the following two years 1953 and 1954, respectively 22 and 24 companies appropriated more than 50·5%, 9 and 12 companies between 25·5% and

50·5% and 8 and 3 companies did not make any appropriations. During the last three years of the study, 18 out of 41 jute companies in 1955 and 23 and 16 jute companies out of 35 in 1956 and 1957 respectively made no appropriations. As against this, 19, 9 and 9 jute companies appropriated more than 50·5% during these three years, leaving 4, 3 and 10 companies respectively which appropriated less than 50·5% of the net profits.

A corresponding study of the distribution pattern of companies according to dividend ranges as percentages of paid-up capital, as given in Statement No. 22, discloses that only in one case, the dividend worked out to more than 40·5% on the paid-up capital in 1947, 1949, 1950 and 1951. In the lower dividend ranges, *viz.*, 15·5% to 25·5% and 25·5% to 40·5%, together figured 25 jute companies in 1947, 20 jute companies in 1951, 17 jute companies in 1950, and 9 jute companies in 1948, whereas 8, 5, 4, 3, 2 and 1 jute companies belonged to these class intervals during 1952, 1953, 1954, 1955, 1957 and 1949 respectively. In 1956, no company figured in these dividend ranges. The dividend range, 8·5% to 15·5% had 11 to 14 companies during the years 1947—53 and 1955. There were 3 and 6 jute companies in 1956 and 1957 respectively. In 1954, there were 20 jute companies in this range. In the dividend ranges below 5·5%, including the *nil* groups, the largest number of companies was seen in 1956 and as against 26 companies in that year, there were 23 and 22 companies in 1957 and 1949 respectively. In 1947, only one company declared such low dividend and 6 to 17 companies declared dividends of some size in the other years.

As a result of the lower quantum of dividends and the high average market price of the equity shares of a large number of companies, many companies recorded smaller yields and only one or two companies managed to show a yield higher than 11·5%. In the case of a vast majority, it worked out only to 5·5% at the maximum (*vide* Statement No. 23).

Coal Industry

The dividend position as studied from the financial results of 39/42 coal companies is summarised in the Table given below. A study of the net profits appropriations for dividend purposes disclosed that the maximum size of the appropriation of net profits for distribution to the investors was 73·6% in 1953 and in the following three years 1954 to 1956, it came to 55% to 63% as against which during the other years of the study, it varied between 25% and 49%. The main reason for the moderate degree of appropriation of net profits for distribution of dividends has been that the coal dividends have, on the whole, remained moderate and the net profits did not show as wide fluctuations as seen in such industries as cotton textiles, jute and tea. The moderate size of dividends is shown in column 3 of the Table given below. It will be seen that this ratio varied within the narrow limits of 7·0% and 10·2%. Besides this, another interesting phenomenon to be noticed is that after 1949, the average dividend rate on the paid-up capital tended to fall almost year after year since the quantum of net profits for distribution of dividends had been curtailed due to increases in the direct costs of production accounted for by labour charges which went up as a sequel to the Tribunal awards. Further, as a result of the steadiness in the prices of coal shares, the ratios of dividends to average market values showed variations within a very narrow range, *viz.*, 3·6% and 5·9%. The return on net worth for the investors also tended to decline from 7·7% in 1948 to 4·0% in 1957.

TABLE 11

Dividend Ratios and Indices

(Coal Industry)

Year	DIVIDEND As % of net profits (1947-55 : 42 Cos. 1956-57 : 37 Cos.)	As % of paid-up capital (1947-55 : Cos. 42 1956-57 : 39 Cos.)	As % of average market value (1947-55 : 44 Cos. 1956-57 : 34 Cos.)	As % of net worth (1948-51 : 44 Cos. 1956-57 : 39 Cos.)	Dividend index (1947=100)	Net profit index (1947=100)	Paid-up capital index (1947=100)	Equity price index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	31·8	9·3	4·1	—	100	100	100	—
1948	48·5	9·1	4·2	7·7	101	66	103	—
1949	25·0	10·2	5·9	—	123	157	113	—
1950	33·6	9·5	4·8	—	123	117	121	—
1951	42·7	8·6	3·6	6·0	112	83	121	—
1952	34·1	8·8	4·5	—	115	107	121	100
1953	73·6	7·0	4·0	—	92	40	121	93
1954	62·8	7·3	3·8	—	96	48	121	98
1955	54·7	8·4	4·2	—	111	64	121	96
1956	61·2	9·0	3·8	4·8	112	58	116	93
1957	38·3	8·3	3·8	4·0	107	89	119	80

Of the 42/37 coal companies whose dividend position has been studied in this brochure, during the period 1947 to 1952, 5 to 9 coal companies did not make any appropriations out of the net profits. Four to eight companies made very small or no appropriations from the net profits during the period. The number of companies utilising little or no profits for dividend purposes varied between 9 to 18 in the following five year period from 1953 to 1957. As against this 15 to 18 companies made appropriations exceeding 50·5%. The maximum number of companies making drafts upon the

reserves was 5 each in 1952 and 1956, 4 companies each in 1951 and 1957, 3 companies each in 1950, 1954 and 1955, 2 each in 1948 and 1953 and one company each in 1947 and 1949. As regards the percentage return received on the paid-up capital, only in the case of one company, it was found to exceed 40·5% during the period 1954—1957 and in the case of 2 companies in 1954 and of one company in 1955 it varied between 25·5% and 40·5%. As against these exceptional cases, in the case of nearly 2/3rds of the companies, this ratio worked out to less than 6% during the period 1954—1957 with 11 to 12 companies recording a *nil* ratio. During the 1947-51 period, the concentration of companies was found to be large in the class intervals of which the upper and lower limits are 25·5% and 5·5%, accounting for nearly one-half of the total number of companies. A study of 'yield' data reveals a heavy concentration of companies in the class intervals nil and 2·5% to 5·5% in the years 1947, 1948, 1950, 1951, 1953 and 1954, while in 1949 a very large proportion of the companies was found in the class interval 5·5%—8·5%. During the last three years, the distribution of companies in the three class intervals was almost even. The distribution pattern of companies according to dividends as percentages of net worth disclose that as many as 12 companies figured in the class interval 10·5% to 25·5% in 1948 as against 7, 4 and 2 companies in this class in the other three years 1951, 1956 and 1957 respectively. During the last three years, 11 to 13 companies figured in the class interval of 2·5% to 5·5%. (For details see Statements Nos. 25 to 28)

Iron and Steel (including engineering) Industry

Comparatively speaking, the number of companies selected for the study of dividend trends in the case of this industrial group happens to be as small as for the other two industries, *viz.*, paper and cement. The main reason for this is that it is a heavy-investment industry and the capital investment in this case is concentrated in a smaller number of big-sized companies like the Indian Iron & Steel Co. and Tata Iron & Steel Co. However, it may also be mentioned here that a few engineering companies whose operations are ancillary to the main iron & steel industry have also been included under this industrial head. The overall dividend trends depicted in Table 12 below are based on the study of financial results of 15 companies. A study of this Table reveals that between 23% and 41% of the net profits have been appropriated for purposes of equity dividend distribution. This is the only industry where such a consistently low proportion of net profits has been utilised for dividend distribution. This low appropriation of net profits is accompanied by a rising ratio of dividends as percentages of paid-up capital which rose from 5·3% during the first phase of the study to 12% towards the closing years of the period covered in this study. The shares of some of the companies belonging to this industry are known to be highly speculative and more often than not, prices of these shares during the period under review, which typifies a period of gestation and gathering momentum, ruled high with the result that the dividend yield based on average market value worked out, as compared to many other industries, to a smaller ratio varying between 2·8% and 6·0%. Towards the close of the period, the average yield worked out to 4·4% to 4·8%. The dividends as percentages of net worth worked out to 4·8% in 1948, 4·0% in 1951, 5·4% in 1956 and 4·5% in 1957. It may also be noted here that the full utilisation of the capital resources of the leading units in this industry has not yet been made with the result that the quantum of net profits is low and the ratios of dividends to paid-up capital, net worth, etc. are also low.

TABLE 12

Dividend Ratios and Indices

(Iron & Steel Industry)

Year	DIVIDEND As % of net profits (1947-55 : 15 Cos.)	As % of paid-up capital (1947-55 : 15 Cos. 1956-57 13 Cos.)	As % of average market value (1947-55 : 13 Cos. 1956-57 9 Cos.)	As % of net worth (1948-51 : 15 Cos. 1956-57 : 14 Cos.)	Dividend index (1947=100)	Net profit index (1947=100)	Paid-up capital index (1947=100)	Equity price index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	41·4	5·3	4·5	—	100	100	100	—
1948	39·0	5·9	2·8	4·8	113	121	100	—
1949	36·8	6·3	4·0	—	122	138	102	—
1950	30·2	6·3	3·9	—	134	186	113	—
1951	28·6	6·9	3·7	4·0	148	216	113	—
1952	34·1	8·3	4·8	—	189	232	121	100
1953	41·3	11·4	6·0	—	263	266	122	110
1954	32·6	11·9	5·7	—	274	352	122	144
1955	22·9	12·0	5·6	—	298	546	131	159
1956	24·9	11·4	4·4	5·4	298	495	136	152
1957	32·2	9·4	4·8	4·5	408	523	227	123

An analytical study of the dividends calculated as percentages of the net profits for the 15 companies belonging to this industrial group shows a sparser distribution of companies over the class intervals ranging between 0·1% and 25·5%. Seven companies in 1947 and 2 to 5 companies in other years figured in the lowermost dividend bracket. These companies and those in the other lower ranges are mostly engineering concerns which are in the process of growth. Excepting in 1947, 7 to 10 companies appropriated net profits between 25·5% and 100% and only one company each in 1947, 1953, 1955 and 1956 drew from its reserves (*vide* Statement No. 29).

The distribution pattern of companies according to dividends as percentages of paid-up capital shows that excepting in 1947, nearly half the companies studied by us fell in the class intervals 5·5%—15·5% (*vide* Statement No. 30).

In the case of yield, the concentration of companies was noticed in the class intervals ranging from 2·5% to 8·5%, while in the profits-net worth ratio, there was a concentration of companies in the two class intervals, the lower and upper limits of which were 2·5% and 10·5% (*vide* Statements Nos. 31 and 32).

Cement Industry

The overall dividend trends relating to the cement industry are summarised below in Table 13. During the first three years of the period under review, as compared to the subsequent three year period 1950—52, a larger proportion of the net profits was utilised for equity dividends. In fact in 1949, even a portion of the accumulated reserves had been utilised. During the period 1950—57, 36% to 69% of the net profits was appropriated for this purpose. Dividends as percentages of paid-up capital showed a steady improvement over the period rising from 3·8% in 1947 to 8·3% in 1951, 1955 and 1956. As percentages of average market value dividends were found to be highest in 1951 being 7·8%. Lower yields were recorded during the period 1947—50 and 1952—57. The position of dividend return on net worth improved from 2·4% in 1948 to 4·8% in 1956 and 4·2% in 1957.

TABLE 13

Dividend Ratios and Indices

(*Cement Industry*)

Year	DIVIDENDS As % of net profits (1947-55 : 7 Cos. 1956-57 : 6 Cos.)	As % of paid-up capital (1947-55 : 7 Cos. 1956-57 : 6 Cos.)	As % of average market value (1947-55 : 7 Cos. 1956-57 : 5 Cos.)	As % of net worth (1948-1951 : 7 Cos. 1956-57 : 6 Cos.)	Equity dividend index (1947=100)	Net profit index (1947=100)	Equity paid-up capital index (1947=100)	Equity price index (1952=100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1947	59·6	3·8	2·3	—	100	100	100	—
1948	71·3	5·0	3·3	2·4	135	113	102	—
1949	104·1	5·3	2·3	—	164	94	116	—
1950	42·4	6·9	3·0	—	214	302	117	—
1951	41·3	8·3	7·8	4·1	258	372	117	—
1952	51·0	7·8	3·6	—	243	284	117	100
1953	44·6	7·9	5·0	—	248	332	117	103
1954	36·4	7·2	4·6	—	266	435	139	125
1955	44·8	8. 3	4·1	—	308	412	140	145
1956	53·7	8·3	3·8	4·8	307	340	139	156
1957	68·8	7·8	4·4	4·2	340	295	115	125

From a detailed study of appropriation of net profits for dividend distribution, it is seen that in 1947, 1949 and 1952, 3 to 4 cement companies out of the 7 companies covered in this study appropriated almost nothing as these companies did not distribute any dividends at all. In other years, the numbers of such companies were reduced to 1 to 2. It is further seen that one or two companies in 1947, 1948, 1950, 1951, 1954 and 1955

appropriated net profits between 5·5% and 25·5% and two to four made appropriations of more than 25·5% of the net profits, with one company each in 1947, 1949, 1952, 1953, 1956 and 1957 drawing upon the reserves.

A probe into the distribution pattern of companies according to class intervals of dividends as percentages of paid-up capital showed that in all the cases under study, this ratio worked out to less than 11·5%, with a majority of the companies declaring less than 5·5% dividends during the period 1947-50 and between 5·5% to 10·5% in the following 7 years, *viz.*, 1951-1957. Broadly, a similar trend was noticed in the dispersal of companies in the frequency table on the yield ratio. (For details see Statements Nos. 33 to 36).

Conclusions regarding the relative position of the principal industries based on the statistical data of this Section are given in the next section.

SECTION III

RELATIVE POSITION OF DIVIDEND RETURNS IN THE PRINCIPAL INDUSTRIES

In the foregoing Section, we dealt, at some length, with the distribution patterns of companies in the principal industries in the class intervals of dividends as percentages of net profits, of paid-up capital, of average market values and of net worth. In this section the *inter se* position of the principal industries with regard to average dividend performance has been studied. The examination has been done in respect of the following five dividend ratios and financial indicators : (i) the average percentage dividend returns on paid-up capital, (ii) the average yield, (iii) the co-efficient of variations of return on capital employed, (iv) the growth of free reserves (excluding taxation and depreciation) and (v) profits before tax as ratio of turnover.

Average dividend returns on the paid-up capital

A study of the average dividend returns on the paid-up value of the equity capital, for the entire 11 year period under study shows that the plantation companies—tea and coffee & rubber—gave the highest returns among the 9 industrial groups covered in this study. The average dividend return on paid-up capital for the whole period for the tea industry, represented by 108 tea companies, worked out as 16.3% and for the coffee and rubber plantations, represented by 26 companies, as 12·7%. In the case of cotton textile companies, this ratio, on the average, worked out as 10·4% as against 9·9% for the jute companies. The sugar companies gave a return of 9·5% on the paid-up capital followed by the coal companies giving an average return of 8·7%, the iron & steel (including engineering) companies yielding 8·6%, the paper companies 7·3% and the cement companies 6·9%. As against the foregoing average returns on the equity capital, which show the gains of the investors, though by no means the entire gain as a part of it accrues in the form of appreciation in the value of shares, a study of the average dividend during the last three years, *viz.*, 1955-57 can provide some broad indicators to the probable future course of dividends. The short-term analysis discloses that the plantation companies continued to be the most attractive field for investments for the investors, giving a ratio of 15·1% (tea) and 15·7% (coffee & rubber) on the paid-up capital. During this short three year period, the average return for sugar companies worked out as 11·6% and for cotton 11·1%. For iron & steel (including engineering) companies and paper companies, the returns averaged 10·9% and 10% respectively followed by 8·6% recorded by the coal companies, 8·1% by the cement companies and 5·4% by the jute companies. It may be mentioned here that dividend rates for the jute companies worked out to a lower figure, as, in 1956, the jute industry as a whole experienced a very critical time. During this year, despite the management's endeavour to hold the dividend line, the rates of dividend distribution had to be drastically cut down due to the low levels of net profits or due to losses. The Table 14 below gives the average percentage returns on paid-up capital for 1947—57 and 1955-57. It also gives the average dividend returns for the First Plan period 1951-55 and for the first two years of the second plan, *viz.*, 1956 and 1957

TABLE 14

Average percentage returns on paid-up capital

Name of industry	Average for 1947-57	Average for 1955-57	Average for 1951-55	Average for 1956-57
(1)	(2)	(3)	(4)	(5)
Cotton	10·4	11·1	10·5	10·5
Sugar	9·5	11·6	10·2	11·7
Tea	16·3	15·1	16·2	15·3
Coffee & Rubber	12·7	15·7	15·0	15·2
Paper	7·3	10·0	6·4	10·9
Jute	9·9	5·4	9·1	4·7
Coal	8·7	8·6	8·0	8·6
Iron & Steel	8·6	10·9	10·1	10·4
Cement	6·9	8·1	7·9	8·0

Average dividend yields

As mentioned in the previous section, the dividend yields have been computed on the value of the average of the highest and lowest price levels of the scrips relating to the companies studied by us. It may be mentioned here that the figures of yield compiled in this study are not strictly comparable to those published by the Reserve Bank of India in their monthly bulletins for several reasons. Firstly, the coverage of industrial securities is different in the two studies. Secondly, the figures of yield compiled by the Reserve Bank of India are weighted proportionally to the market value of the share capital of the companies, whereas figures in this study are the unweighed averages. Thirdly, the Reserve Bank of India figures of yields are calculated on the monthly average market quotations while in our study they are calculated on the basis of the average of the highest and lowest market prices of the industrial shares during the calendar year. Lastly, the average yields in our study have been calculated from the frequency distribution tables relating to dividend yields and hence some extra weightage has gone to the class intervals at the extremes, particularly the top stratum. This treatment is likely to raise the average level of yields.

An inter-industry comparison of the average dividend yields for the entire period of the study, *viz.*, 1947-57 discloses that coffee and rubber gave the highest average yield of 9% followed by 6·5% observed in the case of tea companies It may be recalled here that the average dividend on paid-up capital for the same period worked out higher in the case of tea companies (16·3%) than that for coffee & rubber plantation companies (12·7%). The gap between the dividend yields of the companies belonging to the two plantation groups is wider than that seen in the dividend returns. This wide gap in the average yields is due to the wide fluctuations in the prices of shares of tea companies and to the steady tone in the prices of shares of other plantations. From the yield point of view, after the two groups of plantation companies, sugar companies come next (6·4%), followed by paper companies (6%) and by cotton textile companies (5·9%).

In the cases of the other four of the nine industrial groups studied in this paper—jute, coal, iron & steel and cement companies—the average yields, during the period 1947-57 came to between 4·0% and 4·6%.

The foregoing order of industries according to average dividend yields for the entire period is somewhat changed during the last three years of the period under study, *viz.*, 1955 to 1957. The order of industries, during the 1955-57 period was as follows : Coffee & Rubber (9·2%), Sugar (7·7%), Paper (6·4%), Cotton (5·8%), Tea (5%), Iron & Steel (4·9%), Cement (4·1%), Coal (3·9%) and Jute (3·3%). Table 15 below, apart from giving the average dividend yields for the periods 1947-57 and 1955-57, also gives the average yields for the full span of the first Five Year plan and the first two years of the Second Five Year plan:

TABLE 15

Average Dividend Yield

(Percentages)

Name of industry (1)	Average for 1947—57 (2)	Average for 1955-57 (3)	Average for 1951—55 (4)	Average for 1956-57 (5)
Cotton	5·9	5·8	7·6	5·4
Sugar	6·4	7·7	6·2	8·7
Tea	6·5	5·0	6·6	5·2
Coffee & Rubber	9·0	9·2	10·6	7·7
Paper	6·0	6·4	6·9	6·1
Jute	4·2	3·3	4·4	3·2
Coal	4·2	3·9	4·0	3·8
Iron & Steel	4·6	4·9	5·2	4·6
Cement	4·0	4·1	5·0	4·1

Return on Capital employed

A comparative position of profitability and stability of the nine industries based on the return on capital employed is depicted in the Table 16 given below. For this, the data have been taken from the Reserve Bank's studies on company finance which however are not available for the first four years of our study, *viz.*, 1947-50. The computation of these ratios in respect of the companies covered in this study, would have required a reference to the primary sources, *viz.*, annual company accounts which were not readily available. Notwithstanding the incomparability of the data relating to returns on capital employed given here, some idea of

the inter-industry profitabilities on the basis of capital employed *vis-a-vis* dividend returns and dividend yields can be had. In Table 16 below, gross profits as percentages of sales and of capital employed have been given which bring out the comparative profitabilities of the principal industries. The co-efficient of variation for return on capital employed brings out the relative stability of profits in the various industries. In this respect, the high co-efficients reveal a greater degree of unstability whereas the lower ones show a state of stable conditions.

TABLE 16

Profitability* and stability of return in various Industries

Name of industry	Gross profits as % of sales		Gross profits as % of capital employed		Co-efficient of variation for return on capital employed 1951—57
	1951—55	1956-57	1951—55	1956-57	
(1)	(2)	(3)	(4)	(5)	(6)
Cotton	6·5	5·8	8·2	6·6	25·9
Sugar	10·4	9·1	9·8	9·3	7·8
Tea	26·8	17·9	16·9	11·2	69·7
Coffee & Rubber ..	39·8	35·5	15·9	15·8	12·6
Paper	18·3	13·5	12·2	9·9	13·2
Jute	5·7	2·0	9·1	2·1	54·4
Coal	9·0	8·2	8·3	7·4	14·1
Iron & Steel ..	20·6	20·5	15·1	9·3	22·3
Cement	20·3	15·4	13·8	9·2	16·3
	9·2	9·2	9·2	8·5	13·0

Growth of Reserves

The affluence of reserves over a period of time indicates the extent to which investors could expect cash and stock dividends from the companies. In the years of smaller profits, a portion of money from these reserves is pumped out into the dividend pipelines, whereas in other years when the reserves swell up out of proportion to the paid-up capital, stock dividends or bonus shares are issued to the investors. In the following Table 17, the growth of reserves during the period 1950-55 and 1955-57 has been calculated on the basis of the Reserve Bank data relating to 750/1001 companies. The Table shows a stronger reserves position in the cement, iron & steel, coffee & rubber, tea and paper industries than that in the other industries. Over the three year period 1955-57 the percentage increase is observed to have been substantially higher in the iron and steel and cement industries as compared to the other industrial groups.

**Vide* Tables 25 and 26 in "Trends in Company Finance with particular reference to the First and Second Plan periods by Raj K. Nigam and N. D. Joshi".

TABLE 17

Growth of Reserves

(Percentage Increase)

Name of Industry	1950-1955 %	1956-1957 %
(1)	(2)	(3)
Cotton	4·9	2·5
Sugar	10·8	9·7
Tea	14·5	2·1
Coffee & Rubber	22·5	6·7
Paper	19·8	7·8
Jute	4·2	..
Coal	8·1	5·4
Iron & Steel	25·0	33·5
Cement	55·5	15·2

The following Table 18 gives indices of capital formation at the beginning and end of the First Five Year Plan and in 1957. The index represents the movement in the quantum of paid-up capital and free reserves and surplus of the companies.

TABLE 18

Index of Capital Formation

(Base : 1950=100)

Industry	1951	1955	1957
(1)	(2)	(3)	(4)
Cotton	106·3	114·2	119·3
Sugar	107·6	126·1	144·4
Tea	101·9	129·3	132·9
Coffee & Rubber	110·6	132·0	139·0
Paper	110·5	167·2	187·2
Jute	106·7	110·7	101·2
Coal	103·1	113·1	118·8
Iron and Steel	106·3	149·3	249·1
Cement	104·6	136·6	172·0

The following Table 19 brings out the comparative position of the industries as judged on the basis of the various criteria discussed in the foregoing paragraphs:

TABLE 19

Order* of Industries according to various criteria

Rank	Dividend as % of paid-up capital	Dividend as % of market value	Gross profits as % of sales	Gross profits as % of capital employed	Co-efficient of variation for return on capital employed	Growth of Reserves
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Tea ..	Coffee & Rubber	Coffee & Rubber	Coffee & Rubber	Tea	Cement
2.	Coffee & Rubber ..	Tea	Iron & Steel	Tea	Jute	Iron & Steel
3.	Cotton ..	Sugar	Tea	Iron & Steel	Cotton	Coffee & Rubber
4.	Jute ..	Paper	Cement	Cement	Iron & Steel	Paper
5.	Sugar ..	Cotton	Paper	Paper	Cement	Sugar
6.	Coal ..	Iron & Steel	Sugar	Sugar	Coal	Tea
7.	Iron & Steel ..	Jute	Coal	Coal	Paper	Coal
8.	Paper ..	Coal	Cotton	Cotton	Coffee & Rubber	Cotton
9.	Cement ..	Cement	Jute	Jute	Sugar	Jute

Regularity in Dividend Payments

Apart from the study of the average dividend returns and yields, we have also attempted to show the extent of regularity in dividend payments by the companies covered in this paper. This has been studied from two angles. Firstly, an attempt has been made to show the number of companies under the various industrial groups which paid dividends for a majority of the years to which the study relates. Secondly, it shows the number of companies which paid dividends towards the closing phase of the period, that is, during 1955-57. In columns 5 and 6 of Table 20 on the next page relevant figures in this regard are shown. The relationship of regularity in dividends to the size of the companies is studied in a subsequent chapter dealing with the rationale of dividend payments.

*Order in columns 2 and 3 is based on Tables Nos. 5-13, and that columns 4 to 6 and in column 7 is based on Tables 16 and 17 respectively.

TABLE 20

Regularity in Dividend payments

Name of industry	No. of companies covered	No. of companies paying dividend during 6 of the 11 years studied	No. of companies paying dividends during 1955-1957	(3) as % of (2)	(4) as % of (2)
(1)	(2)	(3)	(4)	(5)	(6)
Cotton	65	52	62	80	95
Jute	41	29	36	71	88
Coal	42	30	38	71	90
Iron & Steel ..	15	13	14	87	93
Cement	7	4	5	57	71
Sugar	23	15	20	65	87
Paper	9	8	9	89	100
Tea	108	29	97	27	90
Coffee & Rubber	26	24	26	92	100

Dividend payment during the two Plan Periods

With the advent of the planning era all the economic variables are bound to reflect the impact of the deliberate directions of economic activities towards attainment of the targets chalked out in the two Plans. Table 21 below gives dividend payments as percentages of paid-up capital, average market values, net profits and net worth at the beginning of the 1st Plan and during the first two years of the Second Plan for various industries. Iron and steel, cement, paper, sugar and coffee and rubber plantation industries seem to have stepped up dividends over two Plan periods. Excepting the last industry all the other industries show a higher rate of return on the market value of the shares during the said period.

TABLE 21

Dividend distribution at the beginning of the First Plan and in the first two years of the Second Plan

Industry	Dividend as % of Paid-up Capital		Dividend as % of Average Market Value		Dividend as % of Net Profits		Dividend as % of Net Worth	
	1950	1956 & 57	1950	1956 & 57	1950	1956 & 57	1950	1956 & 57
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cotton	10·6	10·5	5·9	5·4	39·9	47·3	7·9	6·6
Sugar	9·6	12·5	5·1	8·6	45·0	53·6	6·8	6·8
Tea	18·5	12·9	10·0	5·2	49·4	49·2	6·0	7·6
Coffee & Rubber ..	12·5	13·7	9·5	8·7	50·2	65·9	8·9	9·5
Paper	10·2	12·6	4·7	6·1	34·2	73·3	6·7	5·5
Jute	15·5	3·9	5·8	3·2	38·0	26·4	10·0	2·4
Coal	11·8	7·1	4·8	3·8	46·0	45·6	6·0	4·4
Iron & Steel	7·8	10·8	3·9	4·6	28·2	30·4	4·0	4·9
Cement	4·1	6·8	3·0	4·1	66·6	56·6	4·1	4·5

SECTION IV

THE DIVIDEND LEADERS AND THE LAGGARDS

In this Section, an attempt has been made to examine the dividend record of the industrial companies in the respective industrial groups during the period 1947-57 with a view to spotting out the companies whose dividend performance was found to be not only above the average but happened to be the foremost among others in the industrial group. Besides finding out the companies with excellent dividend records, we have also attempted to identify the companies which were at tail end in the matter of distribution of dividends. However, it need hardly be emphasised here that in the case of both these sets of companies *i.e.*, the companies which showed the best and those showing disappointing returns to the investors, there must have been some extraordinary factors at work which led to the polarization of companies at the extreme positions compared with other companies which clustered around the average dividend line. The following Table 22 shows the division of companies above and below the average dividend line during the last three years of the study, *viz.*, 1955, 1956, and 1957:

TABLE 22

Dividend performance of companies vis-a-vis the average Dividend line* (1955-1957)

Industry	1955				1956				1957			
	A	B	C	D	A	B	C	D	A	B	C	D
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Cotton Textiles	10·2	36	29	65	10·7	34	30	64	7·9	26	38	64
Sugar ..	13·0	11	12	23	12·1	14	6	20	11·8	10	10	20
Tea	16·6	57	51	108	16·1	61	46	107	10·0	67	40	107
Coffee and Rubber ..	18·8	18	8	26	20·2	23	4	27	15·3	19	8	27
Paper ..	10·9	3	6	9	11·0	4	4	8	11·2	4	4	8
Jute	7·5	26	15	41	4·2	24	11	35	6·2	24	11	35
Coal	8·3	28	14	42	7·9	25	14	39	8·6	25	14	39
Iron & Steel (including engineering)	12·6	10	5	15	9·3	5	8	13	9·2	5	8	13
Cement	9·7	5	2	7	8·7	4	2	6	9·9	5	1	6

A study of the dividend record of companies *vis-a-vis* the average dividend line in the above table discloses that during the period 1955 to 1957

A=Average divided.

B=No. of companies above average.

C=No. of companies above average.

D=Total No. of companies.

*Dividenced as percentage of paid-up capital.

more than half the cotton textile companies covered in this study declared dividends less than the overage in the years 1955 and 1956, whereas in 1957, a fairly large number of companies distributed dividends more than the average. In the sugar industry, a larger number of companies, *i.e.* 14 out of 20 companies, declared dividends less than the average in 1956 whereas 11 out of 23 companies declared dividends at less than the average rate in 1955. In 1957, however, the sugar companies split evenly around the average dividend line. In the case of plantation companies, the number of companies declaring dividends below the average was more than those distributing more than the average in 1955. In the subsequent years 1956 and 1957, a larger number of companies distributed dividends at rates lower than the average. In the paper group, three companies out of 9 companies declared dividends below the average rate in 1955 while in 1956 and 1957 the number of companies was almost evenly divided below and above the average dividend line. Among the other four remaining industries in the case of jute and cement industries, a fairly large number of companies distributed dividends below the average, during each of the three years 1955, 1956 and 1957. As compared to this, in the iron and steel (including engineering companies) industry, a large number of companies declared dividends below the average in 1955 whereas in the following two years the position was reversed for the good of the investors. The dividend record of the companies with reference to the average dividend line is arranged for the periods 1951-54 and 1947-50 in the two succeeding Tables 23 and 24.

TABLE 23

Dividend Performance of Companies vis-a-vis the Average Dividend Line* (1951—54)

Industry	No. of Cos.	1951			1952			1953			1954		
		A	B	C	A	B	C	A	B	C	A	B	C
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14
Cotton	65	9·6	27	38	7·4	25	40	8·1	29	36	8·2	25	40
Sugar	23	10·3	13	10	10·4	13	10	12·5	12	11	12·0	13	10
Tea	108	12·0	70	38	6·8	87	21	16·7	57	51	34·1	44	64
Coffee & Rubber	26	15·1	20	6	12·7	18	8	15·9	17	9	17·3	12	14
Paper	9	12·4	6	3	10·5	4	5	10·3	5	4	10·2	5	4
Jute	41	15·4	20	21	11·3	25	16	8·5	23	18	7·6	15	26
Coal	42	7·0	21	21	7·3	25	17	5·9	26	16	6·7	27	15
Iron & Steel	15	20·4	14	1	23·6	14	1	12·6	11	4	12·6	9	6
Cement	7	8·6	6	1	9·3	5	2	9·2	5	2	9·2	6	1

A = Average dividend.
B = No. of cos. below average.
C = No. of cos. above average.
*Dividend as percentage of paid-up capital.

TABLE 24

Dividend Performance of Companies vis-a-vis the Average Dividend Line* (1947—50)

Industry	No. of Cos.	1947			1948			1949			1950		
		A	B	C	A	B	C	A	B	C	A	B	C
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Cotton	65	14·9	42	23	11·8	35	30	12·0	36	29	8·4	30	35
Sugar	23	7·1	11	12	8·7	15	8	7·2	11	12	8·4	11	12
Tea	108	22·6	61	47	15·1	71	37	15·1	66	42	18·7	55	53
Coffee & Rubber	26	7·6	19	7	7·5	20	6	8·1	16	10	11·6	15	11
Paper	9	11·3	6	3	9·6	5	4	7·9	4	5	9·1	3	6
Jute	41	21·4	21	20	11·1	21	20	6·6	26	15	10·8	13	28
Coal	42	11·9	23	19	9·9	22	20	12·2	23	19	7·8	20	22
Iron & Steel	15	7·1	8	7	7·6	9	6	7·3	9	6	12·9	10	5
Cement	7	2·0	4	3	3·3	3	4	2·7	4	3	7·2	6	1

A = Average dividend

B = No. of cos. below average

C = No. of cos. above average.

*Dividend as Percentage of paid-up capital.

The foregoing three tables present the distribution of companies *vis-a-vis* the average dividend rates for the industries as a whole. It is now proposed to pick out the companies which paid the best and the lowest average dividends under each industrial group. For this purpose, the dividend performance of the companies has been averaged for three sets of years, *viz.*, 1947-50, 1951-54 and 1955-57.

Dividend Leaders

Under each of the three periods, 5 companies with the best dividend performance have been listed except in the cases of the industrial groups sugar, paper, iron & steel and cement where only three names have been listed.

Cotton Textiles Industry

In the cotton textile industry, the Arvind Mills distributed an average dividend of 35% during 1955-57. This company improved quite appreciably its performance during the period over the immediately preceding four year period 1951-54. The average dividend for 1951-54 worked out as 25% and during 1947-50, it came to less than 19½%. This company, did not figure among the first five best dividend payers during 1947-50. Like the Arvind Mills, the Swan Mills also showed a steady rise in the average dividend distribution and so did the Bangalore Woollen, Cotton & Silk Mills Ltd., the Ahmedabad Manufacturing Calico Printing Co. Ltd., and the Century Spinning & Manufacturing Co. Ltd. (*vide* Table 25 below).

TABLE 25

Leaders in Dividend performance in the Cotton Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Per cent		Per cent		Per cent
1. Gaekwar Mills	42½	1. Simplex Mills Co.	29	1. Arvind Mills	35
2. New Kaiser-I-Hind Spg. & Wvg. Co.	25	2. Arvind Mills	25	2. Swan Mills	25
3. Simplex Mills Co.	24½	3. Swan Mills	23¾	3. Bangalore Woollen Cotton & Silk Mills.	23½
4. Ahmedabad Mfg. Calico Printing Co.	20	4. Bangalore Woollen	22½	4. Ahmedabad Mfg. Calico Printing Co.	23
5. Swan Mills	20	5. Standard Mills Co.	21½	5. Century Spg. & Mfg. Co. Ltd.	22

Sugar Industry

In the sugar industry, the Upper Ganges Sugar Mills distributed the highest average dividend of 43½% during 1955-57 followed by the Belapur Sugar Co. (31%). The Upper Ganges Sugar Mills steadily raised its dividend rate from 18½% in 1947-1950 to 23¾% during 1951-54 and 43½% in 955-57. Similarly, the Belapur Sugar Co. Ltd. stepped up its average dividend rate from 21% in 1947-50 to 31% during 1951-54 and thereafter

maintained it at that level. The Walchandnagar Industries Ltd. was the new comer among the first three best dividend performers during 1955-57 in place of the Indian Sugars & Refineries Ltd., which held the second place during 1951-54 (*vide* Table 26 below).

TABLE 26

Leaders in Dividend Performance in the Sugar Industry

	1947-50		1951-54		1955-57	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Per cent		Per cent		Per cent
1.	Belapur Sugar Co	21	Belapur Sugar Co.	31	Upper Ganges Sugar Mills.	43¾
2.	Upper Ganges Sugar Mills.	18½	India Sugar & Refineries.	24½	Belapur Sugar Co.	31
3.	Bhopal Sugar Industry.	17½	Upper Ganges Sugar Mills.	23¾	Walchandnagar Industries.	20

Tea Plantation Industry

As compared to the high levels of average dividends shown by the top performers in the cotton and sugar industries, the best among the tea companies gave still higher average dividend returns during 1955-57, *viz.*, 53¼ % by Belgachi Co. Ltd. (*vide* Table 27 below). In the preceding two periods, the top most tea companies (New Dooars Tea Co. and Mothola Co. Ltd.) had distributed a dividend of 52%. In fact, the average dividend rates of the companies holding the other four top positions were higher during 1947-50 and 1951-54 than those of similarly placed companies during 1955-57. This shows that the lowering of the dividend rate in the tea industry was only confined to the tea companies of small and medium size, but not to the best one in the industry.

TABLE 27

Leaders in Dividend Performance in Tea Industry

	1947-50		1951-54		1955-57	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Per cent		Per cent		Per cent
1.	Mothola Co. Ltd.	52	New Dooars Tea Co.	52	Belgachi	53¼
2.	Hasimara Tea Co.	50	Rydak Tea Syndicate.	51½	Mothola Co. Ltd.	50
3.	Rydak Tea Syndicate.	49½	Hoograjuli (Assam) Tea Co.	41½	Bateli Tea Co. Ltd.	46¾
4.	New Chumta Tea Co.	43¾	Choonabhutti Tea Co.	38¾	Dufflaghur Tea Co.	
5.	Dimakusi Tea Co. ..	42¾	Naga Hills Tea Co.	38	Tyroon Tea Co.	36¾

Coffee and Rubber Plantation Industry

The dividend performance of the first five highest dividend paying coffee and rubber companies during the period 1947-50, 1951-54 and 1955-57 is depicted in Table 28 below. The levels of average dividend of the top class coffee and rubber companies were very much lower than the average dividend levels of their compeers in the tea industry during each of the periods.

TABLE 28

Leaders in Dividend performance in the Coffee and Rubber Plantations Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Parkside (Nilgiri Hills) Estates.	34¼	Ouchterlony Valley Estates.	22¼	Anaparai Estates Ltd.	33⅓
2. Ouchterlony Valley Estates.	20¼	Cochin Malabar Estates.	24¼	Balanoor Tea & Rubber.	28⅓
3. Puthuthottam Estates.	16¼	Travancore Rubbers.	20	Coffee Lands & Industries (Mysore) Ltd.	28⅓
4. Anaparai Estates Ltd.	16¼	Parkside (Nilgiri Hills) Estates.	20	Consolidated Coffee Estates.	26⅔
5. Chembra Peak Estates.	15	Midland Rubber & Produce Co.	18¼	Rajagiri Rubber & Produce Co.	21⅔
		Consolidated Coffee Estates.	18¼	Travancore Rubbers.	21⅔

Paper Industry

In contrast to the changes noticed among the best dividend paying companies in the other consumer goods industries discussed above, in the case of paper industry, dividend leadership was, by and large, confined to a smaller number of companies (*vide* Table 29 on the next page). Four out of 9 companies studied in this paper have, during one period or the other, figured among the first three best dividend payers to the investors. The paper companies named on the next page retained their top positions not only among the small group of companies covered in the study, but also among other paper manufacturing companies of the country. Compared to the other consumer goods industries, the average dividend rates of the highest dividend paying paper companies worked out to lower figures during all the three periods. Among the best performers, the Titaghur Paper Mills had steadily stepped up its average dividend level from 18¼% in 1947-50 period to 23% in 1955-57, and thus it had moved up from the second to the first place. As against the record of Titaghur Paper Mills, the other paper companies which at one time or the other figured among the best dividend payers, did not show any steady rise in their average dividend levels.

TABLE 29

Leaders in Dividend performance in the Paper Industry

	1947-50		1951-54		1955-57	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Percent		Percent		Percent
1.	Bengal Paper Mills	18¾	Titaghur Paper Mills	18¾	Titaghur Paper Mills.	23
2.	Titaghur Paper Mills.	18½	Shree Gopal Paper Mills.	15	Orient Paper Mills	14
3.	Orient Paper Mills	17½	Orient Paper Mills	14¼	Bengal Paper Mills	14

Jute Industry

The overall position of dividend payments for the jute industry generally followed a downward course during the eleven year period 1947-1957. This tendency was clearly marked even among the highest dividend paying companies (*vide* Table 30 below). For instance, the average dividend rate for the Hukamchand Jute Mills which led all along the other jute companies in the matter of dividend distribution during the entire period under study, fell steadily from 44¾% during 1947-50, to 39¾% during 1951-54 and to 22% in 1955-57. The top dividend leaders in this industry, by and large, paid lower dividends than their compeers in the cotton textile industry.

TABLE 30

Leaders in Dividend performance in the Jute Industry

	1947-50		1951-54		1955-57	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Percent		Percent		Percent
1.	Hukamchand Jute Mills.	44¾	Hukamchand Jute Mills.	39¾	Hukamchand Jute Mills.	22
2.	Birla Jute Mfg. Co. Ltd.	25	New Central Jute Mills.	24¼	Fort Gloster Jute Mgf. Co.	14
3.	Clive Mills Co. Ltd.	23¾	National Co. Ltd.	21¼	New Central Jute Mills.	14
4.	Belvedere Jute Mills.	22¼	Delta Jute Mills Ltd.	21¼	Kelvin Jute Co.	11¾
5.	Delta Jute Mills Ltd.	20½	Birla Jute Mfg. Co. Ltd.	20	National Co. Ltd.	11
	Fort Gloster Jute Mfg. Co.	20¾				

Coal Industry

By and large, the first five highest dividend-paying companies in this industry recorded steadily falling performance from 1947-50 onwards. The only exception to this general downward trend was the Katras Jharia Coal Co. in which case the average dividend during 1955-57 worked out to 65% as against 25¾% for 1951-54 and 40¾% during 1947-50. As against the high average dividend rate of 65% paid by the Katras Jharia, the two companies bracketed in the fifth place paid an average dividend of 15% only to the equity shareholders (*vide* Table 31 below).

TABLE 31

Leaders in Dividend Performance in the Coal Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Katras Jharia	40¾	Seebpore Coal Co.	32½	Katras Jharia	65
2. Seebpore Coal Co.	30½	Borrea Coal Co.	26¼	Seebpore Coal Co.	27¾
3. Kalaphari Coal Co.	25½	Katras Jharia	25¾	Pench Valley Coal.	18¾
4. Equitable Coal Company.	23¾	Searsola Coal Co.	25	Bengal Coal Co.	17½
5. Bengal Coal Co. Ltd.	23¼	Equitable Coal Co.	22½	Equitable Coal Co.	15
				Northwest Coal Co.	15

Iron and Steel (including Engineering) Industry

Among the companies belonging to this group, the first three best dividend payers during the period 1955-57 were the Premier Construction Co. Ltd. paying an average dividend of 30%, the Burn & Co. (20%) and the Kumardhubi Engineering Works (18%) (*vide* Table 32 on the next page). The average dividend in the case of the Premier Construction Company for 1955-57 worked out to 200% more than that for 1947-50 and to 66% more than that for 1951-54. For the periods, 1951-54 and 1947-50, the average dividend for the Tata Iron & Steel Company worked out as 21% and 20.5% respectively which declined to 12⅔% in 1955-57. A plausible reason for the decline in the average dividend rate in the case of Tata Iron and Steel Company appears to be that the equity capital base of this company had considerably widened during recent years and the quantum of dividend had increased proportionately less than the capital base. By 1957 its capital base came to almost three times that of 1950 while the absolute amount of dividends showed an increase of nearly 70%. Among the best three dividend yielders, Kumardhubi Engineering Works has alone figured in the lists in all the three periods.

TABLE 32

Leaders in Dividend performance in the Iron & Steel (including Engineering) Industry

	1955-57		1951-54		1947-50	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Percent		Percent		Percent
1.	Premier Construction.	30	Tata Iron & Steel Company.	21	Tata Iron & Steel Company.	20½
2.	Burn & Co.	20	Premier Construction.	17¾	Burn & Co.	18¼
3.	Kumardhubi Engineering Works.	18	Kumardhubi Engineering Works.	16¼	Kumardhubi Engineering Works.	15¾

Cement Industry

The performance of the highest dividend paying companies in this industry was considerably below the average dividend rates paid by their compeers in the other industrial groups. While this was so, the best ones in this industry in all the three periods progressively improved the average dividend rates during the three periods under study in this section. The two best dividend paying companies in this industry in 1955-57 were the Andhra Cement Co. and the Associated Cement Co. paying dividends at the average rates of 10% and 9⅔% respectively, as against 8¾% and 9¼% respectively, during 1951-54 when the Associated Cement Company held the first place and Andhra Cement Company the second place and 6¾% and 3% respectively in 1947-50 when Associated Cement held the first place and the other one the fourth place (*vide* Table 33 below).

TABLE 33

Leaders in Dividend performance in the Cement Industry

	1947-50		1951-54		1955-57	
	Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
	(1)	(2)	(3)	(4)	(5)	(6)
		Percent		Percent		Percent
1.	Associated Cement Co.	6¾	Associated Cement Co.	9¼	Andhra Cement Co.	10
2.	Dalmia Cement Co. Ltd.	3¾	Andhra Cement Co.	8¾	Associated Cement Co.	9⅔
3.	Sone Valley Portland Cement.	3¼	Sone Valley Portland Cement.	7¼	India Cements Ltd.	8½

The Dividend Laggards

As in regard to the dividend leaders, three or more companies which paid the lowest dividends in each of the principal groups have been picked out in each industrial group during the three periods 1947-50, 1951-54 and 1955-57. The selection of the dividend laggards has been made on the basis of average dividend record of the companies during the periods under consideration.

Out of the 310 companies selected for this study, 32 did not distribute any dividends during the period 1955-57. The number of such companies came to 21 during 1951-54 and 15 during 1947-50. During the latest three-year period, the number of companies with a blank dividend record increased mainly because this period happened to be one of lean profits for the tea industry. During this period while the tea companies with good dividend record lowered their dividend levels, those on the margin could not distribute any dividend whatsoever to the equity shareholders since their profits had turned into losses. Out of the 32 companies which did not give any dividends to the equity shareholders during 1955-57, 16 were tea companies, as against 9 tea companies among the 21 companies giving no dividends during 1951-54 and 3 tea companies among the 15 companies which distributed no dividends during 1947-50. Besides these tea companies, in the case of the other industrial groups, 4 cotton textiles companies, 4 jute companies, 6 coal companies, 1 iron & steel company and 1 cement company out of the 65, 41, 42, 15 and 7 companies belonging to their respective groups in this study did not pay any dividends during 1955-57. In the remaining three industrial groups, sugar, paper and coffee and rubber, there was no company which had a blank dividend record. In the preceding period 1951-54, 9 tea companies, 3 cotton companies, 4 coal companies, 2 sugar companies, 1 each in jute, iron & steel and engineering and cement groups did not declare any dividends whereas in the paper and coffee and rubber plantation industries, there was no company with a *nil* dividend record. Going still back to the period 1947-50, the paper and jute industries were free from dividends laggards of such type *i.e.* with a blank dividend record, whereas 3 cotton companies, 2 companies each in coal, iron & steel, sugar and cement and 1 company in coffee and rubber industries did not distribute any dividends.

Cotton Industry

Table 34 below sets out the names of the cotton textile companies which come under the category of the dividend laggards. The lowest average dividend in 1955-57 was paid by the Malabar Spinning (1⅓%) as against 1% by the Colaba Land during 1951-54 and 2¼% by the Basanti Cotton in 1947-50. Jayshree Textiles and Coimbatore Kamala are the only two common companies in all the three lists.

TABLE 34

Laggards in Dividend performance in the Cotton Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Cauvery Spg. & Wvg.	Nil	Cauvery Spg. & Wvg.	Nil	Central India Spg.	Nil
Modi Spg. & Wvg.	Nil	Jayshree Textiles	Nil	Alagappa	Nil
Jayshree Textiles	Nil			Coimbatore Kamala	Nil
				Hukamchand	Nil
2. Basanti Cotton	2¼	Colaba Land	1	Malabar Spinning	1⅓
3. Sasson Spg. & Wvg.	3¾	Basanti Cotton	1¼	Jayshree Textiles	3
4. Coimbatore Kamala	3¼	Alagappa	1¾	Azamzahi	4
5. Cambodia	4¼	Coimbatore Kamala	2¼	Cambodia	5

Sugar Industry

Among the dividend laggards in this industry having a positive dividend record, the lowest average dividend of 5/6% during 1955-57 was recorded by the Carew & Co. as against which the Gwalior Sugar paid an average dividend of ¾% in 1951-54 and the Travancore Sugar Company an average dividend of 1¼% in 1947-50 (*vide* Table 35 below).

TABLE 35

Laggards in Dividend performance in the Sugar Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Carew	Nil	Jaswant	Nil	Carew	5/6
Jaswant	Nil	Travancore	Nil		
2. Travancore	1¼	Gwalior	¾	Balrampur	3¼
3. Dharbhanga	1⅜	Kesar	1	Kanpur	5

Tea Industry

In the tea industry, the 7 companies which formed the tail-end from the dividend distribution point of view in 1947-50 continued to be the laggards in the succeeding two periods 1951-54 and 1955-57 also (*vide* Table 36 below). Among these, 3 companies which had a low average dividend record to their credit in 1947-50 came in the group of companies with a blank dividend record. As between the two periods 1951-54 and 1955-57, 9 tea companies were found to be common. During 1955-57, the Central Cachar and the Bokakhat Tea Companies paid the lowest rates of dividend (1⅔%) as against which the Sington Tea Co. paid 1½% during 1951-54 and the Luba Tea Co. and the Kaliti Tea Co. ⅝% during 1947-50.

TABLE 36

Laggards in Dividend performance in the Tea Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Arcuttipore	Nil	Arcuttipore		Arcuttipore	
Eastern Cachar	Nil	Eastern Cachar		Eastern Cachar	
Pathemara	Nil	Kaliti		Engo	
		Loobah		Gielle	
		Mohima	Nil	Kaliti	
		New Samanbagh		Kunchunpore	
		Pathemara		Loobah	
		Rajnagar		Mohima	Nil
		Singell		New Cinnatolia	
				Okayti	
				Pathemara	
				Poobong	
				Pussimbong	
				Singell	
				Sonai River	
2. Loobah	⅝	Sington	1½	Bokakhat	1⅔
3. Kaliti	⅝	Tukvar	2¼	Central Cachar	1⅔
4. Singell	1	Bokakhat	2¼	Jayabirapara	2
5. Mohima	1¼	Pussimbing	2¼	Chamong	2¼
		Roopacherra	2⅜	Phaskowa	2½

Coffee and Rubber Plantation Industry

As compared with the laggards of the tea industry, those in the coffee & rubber plantation industry displayed a better dividend record, at least during the two periods 1951-54 and 1955-57 (*vide* Table 37 below). As against the lowest average dividend rate of 1⅔% in the tea industry in 1955-57, the Malabar Agricultural Co. paid the lowest dividend average of 3⅛% during that period. During 1951-54 the lowest dividend on record in this group was 3¾% as against 1⅛% in the tea industry. The comparative figures of the lowest average dividends for the tea and coffee and rubber industries for the period 1947-50 were ⅝% and ¾% respectively.

TABLE 37

Laggards in Dividend performance in the Coffee and Rubber Plantations

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Velimalai	Nil	Velimalai	3¾	Malabar Agricultural	3⅛
2. Malabar Agricultural	¾	Malabar Agricultural	4¾	Be Be	6⅛
3. Be Be	1⅛	Shevroy	6	Teekoy	7
4. Mercara	1¼	Be Be	6⅛	Neelamalai	7⅛
5. Teekoy	1¾	Chembra	7⅛	Pullangode	8

Paper Industry

In contrast to the low levels of dividends distributed by the laggards in other industrial groups, the lowest average dividend rates paid by the laggards in the paper industry were higher (*vide* Table 38 below). In fact, the dividend performance of the three laggards listed in this industry progressively improved over the period. In 1947-50, the Star Paper Mills paid the lowest average dividend rate of ⅝% as against which, in the succeeding two periods, the Sirpur Paper Mills which was second paid an average dividend of 2⅛% in 1951-54 and 5½% in 1955-57.

TABLE 38

Laggards in Dividend performance in the Paper Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Star	⅝	Sirpur	2⅛	Sirpur	5⅛
2. Sirpur	2⅛	Punalur	6½	Mysore	10
3. India	5¾	Star	6¾	Star	10⅛

Jute Industry

Apart from the 4 jute companies which paid no dividends whatsoever during 1955-57, the Lawrence and Dalhousie Jute Co. paid an average dividend of ½% during 1955-57, as against the lowest average figure of ½% for 1947-50. The Reliance Jute Co. paid the lowest average dividend of 1¼% during 1951-54 and Rameshwara Jute Co. ½% during 1947-50. Over the period as a whole, among the 5 companies spotted out as the laggards in each of the three periods, only one company, *viz.*, Rameshwara is found to be common (*vide* Table 39 below).

TABLE 39

Laggards in Dividend performance in the Jute Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Rameshwara	½	Rameshwara	Nil	Ganges Mfg. Naihati Rameshwara Reliance	Nil
2. Presidency	2¼	Reliance	1¼	Lawrence	½
3. Ganges Mfg.	3½	Ganges Mfg.	1½	Dalhousie	½
4. North Brook	4½	Nuddea	1¾	Kanknarrah	¾
5. Alliance	5	Presidency	2¼	Lansdowne	⅞

Coal Industry

It will be seen from Table 40 below that the average levels of dividends distributed by the laggards in the coal industry were lower as compared to those of such companies in the other two industrial groups, namely, iron & steel (including engineering) and cement. The number of companies having a *nil* dividend record progressively increased from 2 in 1947-50 to 4 in 1951-54 and to 6 in 1955-57. In two of the three periods, the Balgora Coal Co. paid the lowest average dividend.

TABLE 40

Laggards in Dividend performance in the Coal Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. Central India Raneegange	Nil	Jogta New Manbhoom Shri Mahakali Talchar	Nil	Bengal Nagpur Bulanbaree Demo Main Kalaparee Kalchar West Jhamuria	Nil
2. Balgora	¼	Khardi Coal	¾	Balgora	1½
3. Shri Mahakali	¾	Balgora	1	Union Coal	2
4. Jogta	1¼	Khas Kajora	1¼	Sandra	2
5. Western Bengal	1¾	Sandra	1¼	New Manbhoom	3½

Iron and Steel (Including Engineering) Industry

The number of companies selected for study in this group is comparatively small, as in the case of cement and paper industries. However, from those selected for the study, 3 laggards have been spotted out for each of the three periods. It will be seen from Table 41 below that the National Screw, the Praga Tools and the Kamani stood at the bottom of the list of laggards in 1947-50. The Praga Tools and Kamani continued to be in the same position in 1951-54. In 1955-57 the Kamani and Kirloskar occupied the lower most position.

TABLE 41

Laggards in Dividend distribution in the Iron & Steel Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. National Screw Praga Tools }	Nil	Praga Tools	Nil	Kamani	Nil
2. Kamani	1½	Kamani	¾	Kirloskar	6¼
3. Texmaco	2	Texmaco	3¾	National Screw	6¾

Cement Industry

Out of the 3 laggards noted for each of the three periods, the India Cement, the Travancore Cement and Dalmia Cement Co. are common for two of the three periods studied. In 1947-50, the two lower most places were held by the India Cement and the Travancore Cement bracketed together whereas the Assam Bengal Cement Co. and the Dalmia Cement came to hold the bottom-most place during 1951-54 and the Dalmia Cement and the Sone Valley Cement Co. during 1955-57 (*vide* Table 42 below).

TABLE 42

Laggards in Dividend performance in the Cement Industry

1947-50		1951-54		1955-57	
Company	Average Dividend	Company	Average Dividend	Company	Average Dividend
(1)	(2)	(3)	(4)	(5)	(6)
	Percent		Percent		Percent
1. India Travancore }	Nil	Assam Bengal	Nil	Dalmia	Nil
2. Assam Bengal	2½	Dalmia	1½	Sone Valley	5
3. Andhra	3	India	4½	Travancore	6

SECTION V

RATIONALE OF DIVIDEND POLICY

In this Section, we have attempted a more searching study of the data collected by us to bring out the impact of the various factors, which determine the quantum and rate of dividend distributions to the equity shareholders, on the levels of dividends declared by the companies in the various industries covered in this study during the period 1947-57. For limitations of quality and nature of the data available with us, conclusions arrived at by us should be regarded as tentative, subject to further tests carried out with more improved analytical techniques.

The considerations which usually determine the quantum and rate of dividend distribution are many. No one single consideration in particular could be named as the prime regulator of dividend distribution policy. It is in fact the result of the balancing of many business, accounting, managerial and financial factors. Sometimes fears and prognostications of the company directors act as powerful influences over the size and shape of the equity dividends. Among the financial and economic considerations, the more important ones are the adequacy of profits, the liquidity position of the company, the financial strength of the company as measured by the accumulated reserves, the stability and prospects of the company in the context of business conditions for the industry to which it belongs, the prospects of the company to withstand possible future losses, stabilisation of dividend rates, share values, etc. Special interest of management groups and their business customs also determine the course of dividend policies. Among the fears and hazards which often influence dividend decisions, fear of dividend curbs through legislative measures is a serious upsetting factor in the matter. However, apart from these, there are many other imponderables such as the business strategy to promote one's own interests in the industrial fields by ousting other powerful competitors, the future business planning nurtured in the minds of the ruling oligarchy, etc. which determine the size of equity dividends behind the facade of other operative considerations.

Among the financial considerations, the adequacy of profits and liquid position of a company have a more visible and direct impact upon the quantum and rate of equity dividends. If the profits are inadequate, many a company would not normally declare any dividends and if perforce they did, it would be for certain other extraneous considerations and would be done only by whittling down the credit worthy position of the company. Besides the availability of net profits, it is also necessary that the net surplus earned during the year should be available in liquid and realisable form and not tied in the inventory of finished goods and raw materials or committed to financing monthly wage bills and other contingencies. Here, it may be pointed out that the company managements usually keep a fair working margin for meeting certain short-term commitments such as monthly wage bill, purchase of raw materials, etc. Also a part of the year's net profits are in the shape of inventories. So while declaring dividends the company managements have to take into account such facts as what proportion of this surplus could be realised by the reduction of inventories through sales easily and at what point of time during the financial year of the company. Then, next in importance is the consideration of the question of expansion or growth of the company which is dependent upon the prospective volume of demand for its products.

The prospects for such a growth also depend partly on the governmental policies. Under such conditions, there would be a strong pressure for building up the reserves position of the company so that it could avail of future opportunities, Apart from this, on grounds of business prudence also the company management may like to create a comfortable bed of reserves for meeting losses during 'years of depression or for putting the finances of the company on a stable footing. Company managements often on a study of the share market conditions or as a result of their conservative bent may lay out a streamlined coures for dividends. That is to say, notwithstanding the fluctuations in the volume of net profits or a continuous upward trend in them, company managements may prefer to stick to a stable rate of equity dividend in continuation of the earlier trend.

There are certain statutory restrictions also with regard to dividend distribution. For instance, Company Law contain a statutory prohibition to the effect that dividends cannot be paid out of capital. Apart from this, lavish distribution of profits is also very often penalised by fiscal measures, such as, by imposition of a special dividend tax or bonus tax worked out on graduated scales. Sometimes, the ceilings of dividend distribution is also prescribed. Here it may also be pointed out that the tax laws in certain countries, as the Income Tax Law in our country, have laid down that where the shares of a company are closely held (Section 23A companies), certain proportion of the profit are also compulsorily distributed to the shareholders. This is done so that the individual shareholders having substantial incomes might not escape the supertax. Besides, the year to year fluctuations in the rates of corporation tax and individual income tax also influence the dividend policy of the companies. While the Corporation tax directly affects the quantum of available profits for distribution, the fluctuations in individual income tax might act as an incentive or otherwise for the management whose total personal income might be attracting higher rates of income tax and supertax. In cases where a good proportion of the dividends received by the directors belonging to controlling oligarchy, being subject to high or very high percentages of income tax and supertax, is to be absorbed by taxes, such directors normally favour a policy of high reinvestment ratio to dividend distribution; such a policy leads to greater appreciation in share values giving a higher margin of capital profits which are subject to a lower capital gains tax as compared to taxes paid on dividend. Thus very often managements are guided by tax considerations relevant to their personal incomes.

It may also be mentioned here that where the company management is very much professionalised, that is to say, where the board of directors consists of executive or service directors, of which there are very few instances in this country, it is not the personal tax consideration which keeps the dividend rates on the low side, but the professional attitude towards expansion of business through higher investment policies.

Sometimes, the prevailing customs of high or low dividend in vogue in various industries at a particular time influence the management decision on its policy to avoid fluctuations in share values. But it may be pointed out here that it is not always possible for companies to follow a particular practice in vogue for certain financial reasons. On occasions it is also seen that companies declare higher dividends so as to make their scrips comparatively more attractive than those of others.

However, apart from these general considerations governing dividend distributions, there are a few other specific factors which play an important

role. Firstly, the dividend rates are influenced by different considerations in different industries. For instance in distributive trades, where reserves are not to be built, in periods of prosperity, entire profits earned could be distributed, whereas in the case of capital goods industry, the opportunity might be seized for building up reserves for the growth of the industry in the future and as a result, lower dividend rates might be declared. Secondly, the age of the company also matters. A company 'young' in age would give a greater priority to the current needs of working capital, to the building up of contingency reserves, etc. than to the need of dividend distribution; whereas an old and established company which has established its financial position and creditworthiness can afford to follow a more liberal dividend policy. Next comes the size of the company. Several research studies in the U.K. and U.S.A. have established a positive correlation between the size of company and the dividends. In theory, a company which is yet to reach the optimum size wherein economies of production could be fully effected, would not pay out its current earnings in dividends as apart from using these resources for building up fixed assets it would utilise the same for current financial needs for which alternative sources of finances such as bank credits, etc. would not ordinarily be available. Similarly, the large-sized companies which have no immediate expansion programme would probably distribute a larger proportion of net profits as dividends. Fourthly, the type of management in position accounts for the differences in dividend distribution policies in different companies. Apart from the general proposition that the separation of ownership from management has often brought into play a cross-purpose approach to the reinvestment and distribution policies of companies, the dividend policies are actuated by highly individualistic motives of the management in control of the company. Lastly, sometimes the historical dividend record of companies determines their future dividend distribution policy.

Out of the many determinants of dividend policies, Prof. P. Sargeant Florence has singled out the following three principles which underline the dividend policies of the board of directors of companies in the U.K. in allocating a proportion of the net earnings of the companies to dividend.

(*i*) The policy of required reinvestment: According to it, a certain definite amount or proportion of profits is considered to be an essential requirement for reinvestment purposes in view of the technical and market conditions of different industries.

(*ii*) The policy of fair allocation: According to it a certain specified proportion is considered to be a 'fair share' as between dividend to shareholders and allocation to reserves. This proportion can be different for different industries. For instance, in America, according to Graham and Dodd, quoted by Prof. P. Sargeant Florence "10% reflects the average practice of independent operating electric utilities over a period of years" and "in the case of industrial and rail-road companies, an average pay-out in dividends of about 2/3rd of earnings may be considered as normal and appropriate", and "for soundly capitalised public utilities, the desirable pay-out ratios may be settled as high as 85%.

(*iii*) The policy of dividend rate stability: Many well-known American and British companies in practice have treated their ordinary shares as though they were preference shares or debentures to be paid a fixed income. For instance, American Telephone & Telegraph Company paid 9% for very many successive years.

Prof. Florence tested the validity of the aforesaid three principles on a 4-year period dividend data (1948—1951) belonging to 20 industrial groups with companies therein classified in three broad size groups, *viz.*, very large companies (with paid-up capital of £300 million and over), medium large companies (with paid-up capital of £1 million upto £3 million), small-large companies (with paid-up capital of £0.2 million to £1 million).

Apart from Prof. Florence's study in U.K. certain important investigations have also been carried out in the U.S.A. by Prof. W.L.Crum and Prof. Epstein and other workers under the auspices of the National Bureau of Economic Research. In our study we have attempted to study the influence of such factors as (*a*) availability of profits, (*b*) growth of assets in companies, (*c*) capital formation and dividend distribution, (*d*) dividend rate stability, (*e*) nature of industry, (*f*) size of the company, (*g*) age of the company, (*h*) management pattern, etc. The inferences drawn are tentative and would require further verification.

Availability of Profits

As stated above, availability of profits is an important determinant of dividend rates. To what extent this factor did determine the course of dividends during 1947-57 in our country has been examined by us with the help of double frequency table relating equity dividends as percentages of paid-up capital to the class intervals of net profits as percentages of paid-up capitals. Our study shows that with the increase in the availability of profits, companies have stepped up the dividend payments to the equity shareholders. This is true in respect of all the 9 industries with one minor departure noticed in the case of tea industry. In the tea industry in the highest net profit bracket, the dividend rate tapered off slightly from the previous lower net profit bracket. The following Table 43 gives the average dividend return on paid-up capital correlated to four size strata of net profits.

TABLE 43

Correlation of Dividends to the size of net profits (1947—57)

Industries	Size strata of Net Profits as Percentage of Paid-up Capital			
	0 to 10%	11 to 25%	26 to 50%	Above 50%
(1)	(2)	(3)	(4)	(5)
Cotton	6·0	11·1	17·8	20·5
Jute	6·3	11·2	14·3	33·0
Coal	3·2	7·7	18·4	18·5
Iron & Steel	—	7·5	15·8	—
Cement	3·4	4·0	—	—
Sugar	4·0	10·4	14·9	24·3
Paper	10·3	14·3	—	—
Tea	4·7	12·8	21·7	11·7
Coffee and Rubber	5·5	9·2	15·5	33·0
All Industries	5·0	10·5	18·8	23·6

However, as against the conclusion emerging from the foregoing table that generally the size of the equity dividends has increased with the availability of profits on the average, it would be proper also to mention that in the cement industry we came across some instances of companies whose dividends did not have any direct relationship with the net profits. These

companies distributed dividends in the face of losses or inadequate profits. But the number of such companies, however, worked out roughly to 10% of the total. The following two Tables 44 and 45 give the average number of companies which declared dividends despite losses or in which cases net profits fell short of the quantum of dividends declared over the 11 year period. (For details see Statements Nos. 37 and 38).

TABLE 44

Distribution of Companies declaring Dividends despite losses or inadequate Profits 1947-57

Industry	Total No. of Companies studied	No. of Companies which declared dividends despite losses	No. of Companies whose net profits fell short of the quantum of dividends declared
(1)	(2)	(3)	(4)
Cotton	65	3	6
Jute	41	2	3
Coal	42	2	3
Iron & Steel	15	—	—
Cement	7	—	1
Sugar	23	—	1
Paper	9	2	1
Tea	108	2	1
Coffee & Rubber	26	—	2
Total	336	11	24

TABLE 45

The maximum and minimum number of Companies declaring Dividends despite losses inadequate Profits during 1947-57

Industry	Total No. of Companies studied	No. of Companies which declared dividends despite losses		No. of Companies whose net profits fell short of the quantum of dividends declared	
		Min.	Max.	Min.	Max.
(1)	(2)	(3)	(4)	(5)	(6)
Cotton	65	1	7	2	14
Jute	41	1	9	1	5
Coal	42	1	6	1	6
Iron & Steel ..	15	1	1	1	2
Cement	7	—	—	1	1
Sugar	23	1	2	1	3
Paper	9	1	3	1	2
Tea	108	1	8	1	23
Coffee & Rubber	26	1	1	1	5
All Industries ..	336	4	37	10	61

Management Pattern

To bring out the influence of form of management over the dividend policies of companies in our study, we grouped the companies under 2 groups, *viz.*, companies managed by managing agencies and those not managed by managing agencies. Of the 336 companies in respect of which information regarding the form of management was readily available, 272 were managed by managing agencies and 64 had other forms of management. Our study of the average dividend distributed over the 11-year period by the companies under the two groups showed that by a slight edge companies managed by managing agencies had a better dividend record than that possessed by the companies not managed by managing agency companies. The average dividend for the managing agency managed companies worked out as 11·2% as against 8·9% for the other group of companies. But here readers have to bear in mind that our results are over-weighted with the number of managing agency-managed companies and also many of these happen to be of the better type. The following Table 46 gives the average dividend results for managing agency-managed companies and those managed by other forms of management in each of the 9 industrial groups covered in this study. (For details see Statements Nos. 39 and 40.)

TABLE 46

Distribution of Dividends* according to Management

Industrial group	Managing agency-managed companies	Companies not managed by managing agencies
(1)	(2)	(3)
Cotton	12·5	8·4
Jute	11·2	5·0
Coal	9·1	8·1
Iron & Steel	11·0	7·0
Cement	4·0	4·0
Sugar	11·8	9·0
Paper	11·8	10·9
Tea	17·8	15·6
Coffee & Rubber	12·0	12·2

Average for 1947-57

Nature of Industry

Because of a restricted selection of industrial groups in this study it has not been possible to make a more comprehensive and broad-based generalisation with regard to the dividend policies and the nature of borrowings. However, one conclusion, that does emerge from our limited study, is that in the case of the old established industries such as cotton, sugar, plantations (tea, coffee and rubber), the dividend returns have been higher than those in the cases of other classes of industries which are in the process of further development like the iron and steel (including engineering), paper and cement. Jute and Coal industries are a class by themselves in so far as processes of modernisation and consolidation are afoot.

The average dividends paid by the companies belonging to the 9 industrial groups in this paper over the period 1947—1957 are given below :

	Average Dividend paid
A. Stationary or less fast-growing Industries	
Tea	16·3
Coffee & Rubber	12·7
Cotton	10·4
Sugar	9·5
B. Fast-growing industries	
Paper	7·3
Iron & Steel	8·6
Cement	6·9
C. Industries undergoing modernisation	
Jute	9·9
Coal	8·7

Size of companies

A study of the co-relation of equity dividend to the size of companies based on their paid-up capital reveals a positive relationship of dividend to the size of the companies. For this study, in Table 7 below, we divided the companies under three size groups, *viz*., companies having paid-up capital (*i*) under Rs. 25 lakhs, (*ii*) Rs. 25 lakhs and below Rs. 50 lakhs and (*iii*) Rs. 50 lakhs and more. The average percentage dividends for the 11 year period have been observed to go up from one paid-up capital bracket to another.

TABLE 47

Average Dividend percentage for eleven years 1947-57 in various industries in various size-groups (percentages).

Industry	Paid-up Capital Size Groups: Upto Rs. 25 lakhs	Rs. 25 lakhs to 50 lakhs	Rs. 50 lakhs and above
(1)	(2)	(3)	(4)
1. Cotton	8·6	11·8	13·1
2. Sugar	10·4	11·0	15·2
3. Tea	16·6	17·6	—
4. Coffee	12·0	12·2	—
5. Paper	7·0	10·2	14·3
6. Jute	10·3	11·8	9·1
7. Coal	7·8	8·1	10·5
8. Iron & Steel	11·8	4·8	12·8
9. Cement	—	2·5	4·8

Corporate Age and Dividends Rates

In regard to the correlation between the life span of the company and the dividend, our investigation reveals that there is some relationship between the two. Of the 336 companies covered in this study 190 were set up before 1919, 109 during 1919-1938 and 39 during 1939-1951. The study reveals that the older companies paid higher rates of dividends. Companies which were started before 1919 paid an average dividend of 14·0% as against 11% paid by those started during 1919-1938 and 6·7% by the companies registered during the period 1939-1951. This generalisation is generally true in respect of the various industries individually excepting in one or two instances as will be noticed from Table 48 given below. (For details see Statement No. 43).—

TABLE 48

Distribution of average Dividend Rate according to the age groups of Companies (1947-57)

(Percentages)

Industry	Years of Registration		
	Upto 1918	1919-1938	1938-51
(1)	(2)	(3)	(4)
1. Cotton	12·7	11·3	2·5
2. Sugar	9·6	13·6	5·0
3. Tea	17·2	15·7	5·0
4. Coffee & Rubber	—	13·7	10·9
5. Paper	14·7	10·3	—
6. Jute	10·3	10·7	13·5
7. Coal	10·6	9·1	3·0
8. Iron & Steel	16·1	10·8	3·8
9. Cement		4·0	4·0

Growth of Assets

A study of the sub-sample of 45 companies taken from the 336 companies covered in the study revealed that the dividend rate and the rate growth of assets over the period 1950-57 are positively co-related. The analysis as given in Table 49 brings out that companies which registered a faster rate of growths of assets had also paid dividends at higher rates. Companies whose assets increased by 10% during the period 1950-57 paid an average dividend of 9·3% as against which the companies whose assets increased by 10 to 25% over the same period paid an average dividend of 9·8% and the companies whose assets increased by more than 25% paid an average dividend of 13·6%. (For details see Statement No. 2).

TABLE 49

Distribution of Companies according to Rates of Dividend Distribution and Growth of Assets (1950-1957)

Groups of average dividend	Growth assets: Upto 10%	10% to 25%	Above 25%	Total
	No. of companies			
Nil	—	1	—	1
0-2	—	1	2	3
3-5	—	2	—	2
6-8	1	2	7	10
9-11	3	—	7	10
12-15	—	1	4	5
16-25	—	3	9	12
26-40	—	—	2	2
Above 40	—	—	—	—
Total	4	10	31	45

Capital Formation and Dividend Distribution

Basically, capital formation and dividend distribution are two competing phenomena; one prospers at the expense of the other. At times reliance is placed on self-financing on grounds of a sound financial policy and yet at other times it is a sheer necessity owing to the non-availability of alternative sources of finances, such as, cheap borrowings, easy access to capital market for fresh capital, etc. However, when profits are bountiful, the conditions for restricted dividend distribution do not arise as the companies can then distribute higher dividends simultaneously with substantial ploughing back of profits for their expansion. But if the profits are not bountiful and alternative sources of finances are not easily accessible, the question of choosing either of the competing considerations, *viz.*, dividend distribution or the expansion through self-finance becomes a vital issue, particularly in industries which are expanding at an accelerated rate. In our present study which cover the nine principal industries, six industries, *viz.*, coal, iron & steel, cement, sugar, paper and coffee and rubber plantations show a continuous rise in the net worth during 1951—57 (*vide* Table 50). All of these industries were not, however, during this period called upon to exercise this difficult choice. The iron and steel industry for instance could declare continuously higher dividends throughout this period because of easy access to capital market for borrowings and for fresh capital. The cement industry, excepting in the years 1952 and 1956, and the sugar industry, excepting in the year 1952, followed the policy of high dividend distribution as did the iron and steel companies throughout the period under study. Paper companies, however, reduced the quantum of dividend during the first three years (*i.e.* 1957, 1952, 1953) but increased it continuously during the rest of the period. The coal companies reduced the quantum of dividend payments in 1951, 1953, 1957 while the coffee and rubber plantations did so during 1952, 1955 and 1957. The remaining three industries cotton, jute and tea showed uneven trends. The shareholders' interests seemed to be considered by the management uppermost of the cotton industry. Though the dividends were reduced in this industry in 1952 to augment the reserves, in the very next year they were increased by bringing down the reserves. The dividend quantum was reduced in the years 1953 and 1955 in the jute industry and in the years 1952, 1955, 1957 in the case the of tea industry.

To sum up it may be said that Indian management did not display any particular preference in favour of self-financing as they declared reduced dividends only during three years out of the seven years studied but in the remaining four years passed on the fruits of better financial performance to the shareholders in the shape of higher dividends.

TABLE 50

Capital Formation and Dividend Distribution
(Indices : 1950 Base)

1. Index of capital formation 2. Index of dividend distribution.

Name of Industry	1 & 2	1951	1952	1953	Year 1954	1955	1956	1957
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cotton	1	106·3	106·8	107·2	106·6	114·2	124·6	119·3
	2	116·1	101·2	117·0	114·3	134·8	136·6	108·0
Jute	1	106·7	102·8	104·1	104·9	110·7	104·3	101·2
	2	102·9	69·1	57·3	67·6	54·4	32·3	51·5
Coal	1	103·1	107·7	109·0	109·5	113·1	117·2	118·8
	2	91·1	93·5	74·8	78·0	90·2	91·0	87·0
Iron & Steel ..	1	106·3	113·7	118·6	128·4	149·3	193·7	249·1
	2	110·4	141·0	196·3	204·5	222·4	222·4	304·5
Cement	1	104·6	110·9	115·0	125·1	136·6	146·9	172·0
	2	120·6	113·6	115·9	124·3	143·9	143·5	158·8
Sugar	1	107·6	110·2	115·2	119·5	126·1	138·5	144·4
	2	113·3	109·5	144·9	148·1	158·2	189·9	210·8
Paper	1	110·5	118·3	130·1	134·7	167·2	175·8	187·2
	2	88·5	60·3	58·8	88·5	147·3	190·8	210·7
Tea	1	101·9	95·0	109·0	128·5	129·3	132·8	132·9
	2	46·8	14·5	79·8	202·4	82·3	105·6	60·5
Coffee & Rubber ..	1	110·6	114·5	121·0	126·3	132·0	137·6	139·0
	2	115·7	103·8	143·2	177·8	169·7	198·9	150·8
All Industries ...	1	107·0	109·7	113·7	117·4	126·7	138·4	146·7
	2	101·8	88·3	106·3	127·9	123·4	127·9	126·1

Source : Statistics on Company Finances published by R.B.I. in its bulletins.

Dividend Distribution and Liquidity Position

Dividends can be paid out of cash and bank balances, from cash realized by disposing current assets or through borrowings. The ultimate result of dividend payments from any of the above sources is a deterioration in the liquidity position of the company. The company management which aims at certain level of liquidity position would declare dividend only if the liquidity position improves beyond the basic minimum held in view. With such a company management the liquidity position measured by current ratio is thus an important consideration in dividend distribution. The Table below which gives the figures of current ratio and dividend distribution (indicized with 1950 as base) for the years 1951-57 can roughly be used to assess how far the consideration of liquidity affected the policy of dividend distribution in various industries as a whole. In the tea industry this consideration alone seems to have exercised a considerable influence in the formulation of the dividend policy as its dividend policy followed the ups and downs in liquidity position in six out of the seven years studied. At the other extreme, iron and steel industry with a bright future could afford to be unmindful of liquidity consideration as its dividend policy was not in tune with liquidity in six out of the seven years studied. In between these two extremes come other seven industries. The sympathetic movement of dividend distribution with that of liquidity level has been recorded in four out of the seven years in the cotton and other plantation industries, in 3 out of the seven years in the case of jute and coal and in 2 years in the case of the cement and sugar industries. In the paper industry the

management followed a conservative dividend policy by reducing dividends despite improvement in its liquidity positions for the first three years of the period studied, probably to strengthen the liquidity position but it subsequently stepped up the dividend distribution to such an extent as to nullify the good effects of its earlier dividend policy, with consequent deterioration in its liquidity position.

For all industries together, the liquidity position is almost continuously declining as a result of dividend payments having been stepped up.

TABLF 51

Indices of Liquidity and Dividend Distribution

1. Index of liquidity 2. Index of dividend distribution

Name of Industry	1 & 2	Year 1951	1952	1953	1954	1955	1956	1957
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Cotton	1	103·1	105·1	96·9	93·3	97·9	90·3	74·4
	2	116·1	101·2	117·0	114·3	134·8	136·6	108·0
Jute	1	91·4	121·0	135·5	143·5	128·5	79·0	73·1
	2	102·9	69·1	57·3	67·6	54·4	32·3	51·2
Coal	1	90·5	87·7	89·4	90·5	89·4	86·0	82·7
	2	91·1	93·5	74·8	78·0	90·2	91·0	87·0
Iron & Steel ..	1	111·1	102·8	93·1	84·7	75·7	84·0	66·7
	2	110·4	141·0	196·3	204·5	222·4	222·4	304·5
Cement	1	89·7	81·8	85·6	70·4	62·8	44·3	38·7
	2	120·6	113·6	115·9	124·3	143·9	143·5	158·8
Sugar	1	95·1	93·9	116·5	100·6	89·6	80·5	79·9
	2	113·3	109·5	144·9	148·1	158·2	189·9	210·8
Paper	1	108·2	115·2	137·4	129·2	151·5	136·8	84·8
	2	88·5	60·3	58·8	88·5	147·3	190·8	210·7
Tea	1	89·4	67·7	96·2	119·6	103·0	97·4	89·4
	2	46·8	14·5	79·8	202·4	82·3	105·6	60·5
Coffee & Rubber ..	1	93·5	92·6	97·4	99·3	86·7	83·2	79·9
	2	115·7	103·8	143·2	177·8	169·7	198·9	150·8
All Industries ..	1	100·0	99·5	101·1	95·7	93·0	87·6	80·6
	2	101·8	88·3	106·3	127·9	123·4	127·9	126·1

Source : Statistics on Company Finances published by R.B.I. in its bulletins.

Impact of Borrowings on Distributable Profits

If the conditions in the capital market be such that funds can be easily borrowed at a rate of interest lower than the rate of return obtainable in the industries, the use of such borrowed funds results in an element of surplus to shareholders by way of addition to disposable profits over and above that earned by the use of mere shareholders' funds. The size of the surplus varies from industry to industry and from company to company, depending upon the extent of divergence between the rate of return and the rate of interest and also on the availability of substantial amount of such funds to an individual company. Whether such additional increase in the profits is distributed to shareholders by way of dividend payments or not, depends on the discretion of the management. Nevertheless, the use of cheap borrowed funds definitely connotes likelihood of liberal policy of dividend distribution than it would otherwise be. The prevalence of this practice in the Indian industries, can be studied by comparing the rates of returns on the combined equity of shareholders and creditors with that on the shareholders' equity alone (*vide* Table No. 52). Among the nine industries studied, iron and steel industry, wherein the rate of return is very high, shows the prevalence of this practice. The increase in the rates of return on the shareholders' equity by the use of borrowed funds in this industry varied between 2 per cent to as high as 7 per cent in 1955. The average increase in the rate for the entire period 1951-57 comes

to 4.5 per cent. The other prosperous industries, *viz.*, sugar, paper and cement showed the average rates of increase of 2.7%, 1.7% and 1.3% respectively. Though the average return on capital in the tea and other plantations was very high (*viz.*, 13% and 15.8% respectively) these industries did not use borrowings on long term basis to a great extent. The average return in the remaining industries namely cotton, jute and coal being comparatively very low, these industries did not have much scope in increasing disposable profits by resort to borrowings

Lastly, it may be mentioned that the use of borrowings is not only resorted to when its cost is cheap but sometimes it is used to tide over financial crisis even when it is costly. In the latter case, the borrowings eat into the disposable profits. In the year 1952, the cotton industry had to pay interest by reducing the rate of return to shareholders.

TABLE 52

Percentage Return on combined equity of shareholders and creditors vis-a-vis that on only shareholders' equity in various Industries (1950-1957).

1. Combined Equity 2. Shareholders' Equity 3. Differences

Name of Industry	1,2 3	1950	1951	1952	1953	1954	1955	1956	1957
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	1	5	8	3	4	4	7	7	—
Cotton	2	6	10	2	4	4	9	8	—
	3	1	2	—1	--	—	2	1	—
	1	7	9	3	5	5	4	Loss	—
Jute	2	9	13	3	5	5	3	Loss	—
	3	2	4	—	—	—	—1	Loss	—
	1	6	5	7	4	5	7	3	6
Coal	2	7	6	8	5	5	8	3	6
	3	1	1	1	1	—	1	—	1
	1	8	12	13	12	14	15	10	7
Iron & Steel	2	10	15	15	14	19	22	15	11
	3	2	3	2	2	5	7	5	4
	1	9	10	10	9	10	10	10	7
Cement	2	10	11	12	10	11	11	11	8
	3	1	1	2	1	1	1	1	1
	1	6	8	6	9	7	7	7	8
Sugar	2	8	12	8	10	9	10	10	10
	3	2	4	2	1	2	3	3	2
	1	8	10	9	8	7	9	6	6
Paper	2	10	13	11	10	8	10	6	7
	3	2	3	2	2	1	1	—	1
	1	15	8	Loss	19	29	8	11	4
Tea	2	16	9	Loss	22	31	9	11	4
	3	1	1		3	2	1	—	—
Coffee & Rubber	1	13	16	12	13	13	13	13	9
	2	13	17	12	14	13	14	14	9
	3	—	—	—	1	—	1	1	—
	1	6	7	5	6	6	7	7	6
All Industries	2	8	10	6	7	8	10	9	6
	1	2	3	1	1	2	3	2	—

Source : Statistics on Company Finance published by R.B.I. in its bulletins of Sept. 1957 and August' 1959.

Uniform are of Dividend Distribution

The following Table 53 gives the number of companies in the various industries which declared uniform rate of dividends for 6 and more years. It will be seen that the maximum number of companies declaring a uniform rate of dividends is in the cotton industry. Next to the cotton, coal and sugar industries have 5 and 4 companies respectively which have declared the same rates of dividends.

TABLE 53

Uniform Rate of Dividend Distribution

Name of Industry	Years for which uniform dividends were declared					
	6 yrs.	7 yrs.	8 yrs.	9 yrs.	10 yrs.	11 yrs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	No. of Companies					
Cotton	5	2	2	—	—	—
Sugar	2	1	—	—	—	1
Tea	—	—		—	—	—
Coffee & Rubber ..	—	1		—	—	—
Paper	—	—	—	—	—	—
Jute	—	—	—	—	—	—
Coal	3	1	—	1	—	—
Iron & Steel ..	1	—	—	1	1	—
Cement	—	—	—	—	—	—

Stability of Dividends

Excepting the size of profits and the desire to maintain an approximately uniform rate of dividend distribution, all other factors studied in the foregoing paragraphs, affect the dividend distribution policy through profit earning capacity. The two factors, *viz.*, the size of profits and the management's decision to hold the dividend line have often been singled out for the application of advanced statistical technique to assess their influence on the dividend policy in countries like the U.K. and the U.S.A.

The usual technqiue adopted in this respect is to build up a model, the underlying assumption of which is that actual dividends depend not only on the current year's profits but also on the long term estimates of profits. Dobrovolsky has used the following equation :—

$$dt = B^{Pt} + ydt - 1.$$

where *dt* means dividend distributed during the current year,

dt-1 means dividend distributed during the previous year,

Pt means profit available for distribution in the current year,

'*B*' denotes short-term propensity to distribute dividends while *y* denotes long-term propensity to distribute dividends.

The following Table gives the values of short-term propensity and that of the ratio of short-term to long-term propensity observed in the case of a sample of British and American companies as compared with those

calculated by us for some Indian companies. It will be noted that the values of B and (1-y) are roughly of equal magnitude as they should be.

Country	Short-term Propensity (B)	Ratio of Short to Long-term Propensity(1-y)
U.K.		
1953	0·08	0·04
1951	0·07	0·14
1938	0·20	0·21
U.S.A.		
1940-41	0·36	0·32
1925-26	0·22	0·35
India		
1957	0·23	0·32
1956	0·15	0·04

The low value of short-term propensities obtained in U.K. in 1953-54 is explained by the dividend restraint in these years in the U.K. But in 1938, there being no dividend restraint, the short-term propensity is higher probably because the managements of companies in that country wanted to pass on the benefits of higher profits to the shareholders immediately. The low values of short-term propensity coefficients in India show that the pattern of dividend distribution in India is similar to that in U.S.A. and U.K. The low values of short-term propensity as compared to to those of long-term propensity in all these countries show that the company managements in these three countries attach more importance to the principle of stability in dividend distribution than to its tagging with the changes in the level of profits.

We have stated in the foregoing paragraphs the various factors influencing the dividend distribution. Now we summarise the general findings regarding the influence of these various factors below :—

1. Availability of Profits : The higher the level of profits as percentage of paid-up capital, the higher the rate of dividend record.
2. Management : Companies managed by managing agents show better dividend record.
3. Class of industry : The order of industries according to the rates of dividend paid is tea, coffee and rubber, cotton, sugar, coal, iron & steel, paper and cement.
4. Size of the company as reflected by its paid-up capital : The bigger the size, the more the dividend.
5. Age of the Company : The older the company, the higher the dividend.
6. Rate of growth as reflected by increase in assets : The higher the rate of growth of assets, the higher the dividend.
7. Stability in Dividend payments : Companies generally follow the policy of maintaining an approximately uniform rate of dividend distribution over a long period.
8. Liquidity : The liquidity position has not influenced much the policy of dividend distribution.
9. Borrowings : But for the availability of borrowed funds at cheaper rates dividend distribution would have been low.
10. Capital Formation : The need for self-financing has not materially affected the policy of dividend distribution.

SUMMARY OF CONCLUSIONS

In the foregoing pages of the present paper, an attempt has been made to analytically study the trends noticeable in the dividend data for the eleven years period relating to 336 important joint stock companies whose shares are actively traded on the stock exchanges. It covers the following important questions relating to the corporation dividend policies :—

(*i*) The pattern of equity dividends in the case of a representative set of companies belonging to major industrial groups which, through the mechanism of stock exchanges, exercise wholesome influence over the investment climate in the country;

(*ii*) The relative attractiveness and stability in dividend returns noticeable in the nine major industries covered in this study;

(*iii*) The change in the relative positions of dividend leaders and the laggards; and

(*iv*) The relative degree of influence of the various financial criteria in the formulation of dividend policies.

The study pertains to the period 1947—57 and has been divided into five sections.

Section I deals with the object and scope of the study and gives the background information relating to the management pattern of the companies selected for this study. This study of dividend trends is important, as dividend being the return on investment involving an element of risk, determines the investment climate which is of overbearing significance in the present context of the Five Year Plans for the economic development of the country.

The corporate earnings as a whole form one per cent of the national income of India. These earnings are expected to increase in future and, therefore, the appropriations from it will have an important repercussion on the capital formation, as a good lump of the corporate earnings are by one way or the other brought back into the business. The Table below gives the position of corporate earnings *vis-a-vis* National Income.

(Figures in crores of Rs.)

Year	Total National income	National income pertaining to private sector	National income pertaining to corporate sector	Total net corporate earnings	Dividends	Savings	Paid-up capital of Cos. (excluding Govt. Cos.)
1951	99,70	92,20	853	120	63	57	8,56
1955	99,80	89,90	10,42	138	75	63	10,24
1957	113,90	102,30	1198	116	88	28	13,06

NOTES :—(1) Figures in columns (2) and (3) are taken from the White Paper on National Income.

(2) Figures in columns (4) to (7) are estimates made on the basis of the paid-up capital coverage from the analysis of results 750/1001 companies published by the R.B.I. in its bulletins.

(3) Figures in column (8) are taken from the Monthly Blue Book on Joint Stock Companies.

Section II contains a detailed study of the trends of dividends as related to their paid-up capital, net profits, net worth and the average market price of their equity shares. The first ratio gives the return on the capital investment made by the shareholders as long-term genuine investors while the remaining three ratios are of interest to prospective investors who are generally interested in knowing the yield, the relation of dividend to the earnings and the return on the shareholders' stake in the company.

The position of industries according to the values of the averages of the above four ratios and some other criteria, *viz.*, return on capital employed, stability of return, augmentation of reserves is discussed in the following section III. The Table below gives the rankings of these industries according to various types of dividend ratios.

Order of Industries according to various Criteria

Rank	Dividend Returns as % of Paid-up Capital	Dividend as % of market value	Gross Profits as % of sales	Gross Profits as % of Capital employed	Co-efficient of variation for return on capital employed	Growth of Reserves
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Tea ..	Coffee & Rubber	Coffee & Rubber	Coffee & Rubber	Tea	Cement
2.	Coffee & Rubber	Tea	Iron & Steel	Tea	Jute	Iron & Steel
3.	Cotton ..	Sugar	Tea	Iron & Steel	Cotton	Coffee & Rubber
4.	Jute ..	Paper	Cement	Cement	Iron & Steel	Paper
5.	Sugar ..	Cotton	Paper	Paper	Cement	Sugar
6.	Coal ..	Iron & Steel	Sugar	Sugar	Coal	Tea
7.	Iron & Steel	Jute	Coal	Coal	Paper	Coal
8.	Paper ..	Coal	Cotton	Cotton	Coffee & Rubber	Cotton
9.	Cement ..	Cement	Jute	Jute	Sugar	Jute

In Section IV a study of the dividend performance of companies *vis-a-viz* the average dividend record over the 11 years period under review has been made. It also shows the position of the dividend leaders and laggards in each of the nine industries covered in the paper.

Section V raises a general discussion of various criteria that govern the formulation of dividend policy.

Here the dividend data have been correlated to such factors as the availability of profits, the form of management, the class of industry, the size and the age of companies and the rate of growth of assets. Broad generalisations revealed by the study of these phenomena are given at page 62.

STATISTICAL STATEMENTS

Statement No.		
1	Distribution pattern of companies according to dividends as percentages of net profits ..	Cotton Industry
2	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
3	Distribution pattern of companies according to dividends as percentage of average market value	Do.
4	Distribution pattern of companies according to dividends as percentages of net worth	Do.
5	Distribution pattern of companies according to dividends as percentages of net profits ..	Sugar Industry
6	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
7	Distribution pattern of companies according to dividends as percentages of average market values	Do.
8	Distribution pattern of companies according to dividends as percentages of net worth	Do.
9	Distribution pattern of companies according to dividends as percentages of net profits	Tea Industry
10	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
11	Distribution pattern of companies according to dividends as percentages of average market values	Do.
12	Distribution pattern of companies according to dividends as percentages of net worth	Do.
13	Distribution pattern of companies according to dividends as percentages of net profits ..	Coffee & Rubber
14	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
15	Distribution pattern of companies according to dividends as percentages of average market values	Do.
16	Distribution pattern of companies according to dividends as percentages of net worth ..	Do.
17	Distribution pattern of companies according to dividends as percentages of net profits	Paper Industry
18	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.

Statement No.		
19	Distribution pattern of companies according to dividends as percentages of average market values	Paper Industry
20	Distribution pattern of companies according to dividends as percentages of net worth ..	Do.
21	Distribution pattern of companies according to dividends as percentages of net profits ..	Jute Industry
22	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
23	Distribution pattern of companies according to dividends as percentages of average market values	Do.
24	Distribution pattern of companies according to dividends as percentages of net worth	Do.
25	Distribution pattern of companies according to dividends as percentages of net profits	Coal Industry
26	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
27	Distribution pattern of companies according to dividends as percentages of average market value	Do.
28	Distribution pattern of companies according to dividends as percentages of net worth ..	Do.
29	Distribution pattern of companies according to dividends as percentages of net profits	Iron & Steel
30	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
31	Distribution pattern of companies according to dividends as percentages of average market values	Do.
32	Distribution pattern of companies according to dividends as percentages of net worth ..	Do.
33	Distribution pattern of companies according to dividends as percentages of net profits ..	Cement Industry
34	Distribution pattern of companies according to dividends as percentages of paid-up capital ..	Do.
35	Distribution pattern of companies according to dividends as percentages of average market values	Do.
36	Distribution pattern of companies according to dividends as percentages of net worth ..	Do.
37	Distribution of companies according to the rates of dividends in various size-groups of companies in consumer goods industries ..	

STATEMENT 1

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

COTTON INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	10	3	10	7	6	16	12	16	10	7	22
0·1—5·5	2	3	1	1	2	2	1	1	1	1	—
5·5—10·5	—	5	1	3	2	1	—	1	1	—	1
10·5—15·5	1	6	1	1	2	1	1	1	—	—	2
15·5—20·5	1	10	1	—	1	—	3	1	1	3	—
20·5—25·5	3	4	—	2	3	—	—	—	1	—	—
25·5—50·5	14	26	12	14	25	9	14	9	13	18	11
50·5—75·5	23	5	17	22	13	10	11	13	17	23	14
75·5—100	7	2	14	11	7	17	16	15	18	5	1
Above 100	4	1	8	4	4	9	7	8	2	7	13
TOTAL	65	65	65	65	65	65	65	65	65	64	64

STATEMENT 2

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

COTTON INDUSTRY

Number of Companies

Dividend as % Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	7	3	8	5	4	9	7	13	8	5	17
0·1—2·5	—	—	—	1	1	1	1	—	—	1	—
2·5—5·5	5	6	6	6	6	6	7	4	5	6	4
5·5—8·5	5	15	15	18	15	13	14	11	5	10	10
8·5—11·5	8	10	6	12	9	10	10	13	18	14	15
11·5—15·5	17	16	16	11	11	13	10	8	9	10	8
15·5—25·5	16	11	9	10	16	11	16	13	16	16	8
25·5—40·5	5	3	5	2	3	2	—	3	3	2	2
Above 40·5	2	1	—	—	—	—	—	—	1	—	—
TOTAL	65	65	65	65	65	65	65	65	65	64	64

STATEMENT 3

Distribution pattern of Companies according to Dividends as Percentage of average Market Value

COTTON INDUSTRY

Number of Companies

Dividend as % of A.M. Value	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
	Years										
Nil	7	3	8	5	4	9	6	10	7	3	12
0·1—2·5	7	4	—	2	1	1	2	1	—	—	2
2·5—5·5	32	34	16	12	13	11	9	10	12	20	19
5·5—8·5	7	12	23	36	30	28	30	26	25	24	16
8·5—11·5	2	2	5	1	7	3	5	5	9	3	4
11·5—15·5	—	1	4	—	1	3	3	2	1	1	—
15·5—25·5	1	—	—	—	—	1	1	2	2	1	—
Above 25·5	1	1	1	1	1	1	1	1	1	1	—
TOTAL	57	57	57	57	57	57	57	57	57	53	53

STATEMENT 4

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

COTTON INDUSTRY

Number of companies

Dividend as % of Net Worth	Years			
	1948	1951	1956	1957
Nil	3	4	2	9
0·1— 2·5	2	4	2	2
2·5— 5·5	26	19	10	13
5·5—10·5	23	25	21	14
10·5—25·5	11	13	6	3
Above 25·5	—	—	—	—
TOTAL	65	65	41	41

STATEMENT 5

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

SUGAR INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	6	4	9	5	6	8	6	3	2	2	3
0·1—5·5	—	—	1	1	1	—	—	—	1	—	1
5·5—10·5	—	2	—	—	—	1	1	—	—	1	—
10·5—15·5	2	3	—	—	1	—	1	1	—	—	—
15·5—20·5	4	3	1	—	—	—	—	—	—	—	—
20·5—25·5	2	4	1	—	1	—	—	2	—	—	—
25·5—50·5	3	5	6	7	7	8	5	6	9	5	7
50·5—75·5	2	1	4	5	5	4	8	3	3	7	3
75·5—100	4	1	—	4	1	2	1	7	5	6	6
Above 100	—	—	1	1	1	—	1	1	3	—	1
TOTAL	23	23	23	23	23	23	23	23	23	21	21

STATEMENT 6

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

SUGAR INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	6	4	9	5	6	8	5	3	2	1	1
0·5—2·5	—	—	—	—	—	—	—	1	—	—	—
2·5—5·5	4	4	1	4	2	—	—	1	—	1	2
5·5—8·5	6	8	3	2	3	2	3	4	6	4	3
8·5—11·5	3	1	2	2	2	3	3	4	3	4	4
11·5—15·5	2	3	5	5	5	4	7	4	6	4	3
15·5—25·5	4	3	2	5	3	5	4	5	4	4	4
25·5—40·5	—	—	—	—	2	1	1	1	2	1	2
Above 40·5	—	—	—	—	—	—	—	—	—	1	1
TOTAL	23	23	23	23	23	23	23	23	23	20	20

STATEMENT 7

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

SUGAR INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	4	4	7	4	5	5	4	4	3	1	1
0·1—2·5	—	—	—	—	—	—	—	2	—	—	—
2·5—5·5	9	7	3	5	3	1	1	—	4	2	1
5·5—8·5	3	4	5	4	3	4	3	8	6	5	5
8·5—11·5	—	—	1	2	3	4	5	2	1	5	6
11·5—15·5	—	1	—	1	2	1	1	—	2	—	—
15·5—25·5	—	—	—	—	—	1	2	—	—	—	—
Above 25·5	—	—	—	—	—	—	—	—	—	1	1
TOTAL	16	16	16	16	16	16	16	16	16	14	14

STATEMENT 8

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

SUGAR INDUSTRY

Number of Companies

Dividend as % of Net Worth	Years 1948	1951	1956	1957
Nil	3	4	2	1
0·1—2·5	1	2	2	2
2·5—5·5	14	7	9	5
5·5—10·5	1	6	8	12
10·5—25·5	4	3	2	3
Above 25·5	—	1	—	—
TOTAL	23	23	23	23

STATEMENT 9

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

TEA INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	4	12	15	10	43	83	29	10	35	19	36
0·1— 5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10·5	1	—	1	1	—	1	4	3	—	—	—
10·5—15·5	1	2	2	2	1	—	3	2	—	2	—
15·5—20·5	1	2	1	1	1	1	3	8	1	3	2
20·5—25·5	2	—	—	5	1	—	3	4	2	2	2
25·5—50·5	32	22	25	36	19	6	46	43	11	28	9
50·5—75·5	44	39	35	36	30	7	17	36	20	37	15
75·5—100	19	22	21	14	10	2	3	2	15	10	22
Above 100	4	9	8	3	3	8	—	—	24	6	21
TOTAL	108	108	108	108	108	108	108	108	108	107	107

STATEMENT 10

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

TEA INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	4	11	14	11	37	78	29	10	27	19	34
0·1— 2·5	4	2	6	2	10	2	2	—	4	1	1
2·5— 5·5	7	9	11	3	7	7	3	—	3	6	8
5·5— 8·5	10	20	6	8	7	5	2	3	7	6	10
8·5—11·5	3	9	11	14	8	7	10	7	12	15	13
11·5—15·5	17	18	18	13	9	2	10	5	15	14	12
15·5—25·5	27	24	24	27	13	7	33	11	21	23	20
25·5—40·5	27	13	16	22	15	—	15	26	13	20	9
Above 40·5	9	2	2	8	2	—	4	46	6	3	—
TOTAL	108	108	108	108	108	108	108	108	108	107	107

STATEMENT 11

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

TEA INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	8	12	15	10	43	80	29	11	27	21	34
0·1— 2·5	11	12	6	1	14	6	2	2	14	7	6
2·5— 5·5	35	30	15	8	20	13	7	2	31	24	21
5·5— 8·5	31	50	32	19	22	5	10	7	21	25	24
8·5—11·5	20	5	23	29	9	4	25	12	8	16	14
11·5—15·5	3	—	16	30	1	—	23	23	3	10	5
15·5—25·5	1	—	2	10	—	1	12	40	3	2	1
Above 25·5	—	—	—	1	—	—	1	12	2	—	—
TOTAL	109	109	109	109	109	109	109	109	109	105	105

STATEMENT 12

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

TEA-INDUSTRY

Number of Companies

Dividend as % of Net Worth	Years			
	1948	1951	1956	1957
Nil	11	39	20	33
0·1— 2·5	8	12	3	3
2·5— 5·5	18	18	12	26
5·5—10·5	32	17	36	25
10·5—25·5	34	21	33	17
Above 25·5	6	2	1	1
TOTAL	109	109	105	105

STATEMENT 13

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

COFFEE AND RUBBER INDUSTRY

Number of Campanies

Dividend as % of Net Profits	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	8	7	5	1	2	3	—	—	—	2	2
0·1— 5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10·5	—	—	—	—	—	—	—	—	—	—	—
10·5—15·5	1	—	—	—	—	—	1	—	—	—	—
15·5—20·5	1	—	1	2	—	1	—	—	—	—	—
20·5—25·5	1	3	—	2	1	1	3	1	—	—	
25·5—50·5	5	6	12	9	13	9	9	7	6	5	5
50·5—75·5	5	7	4	7	9	6	7	9	12	9	8
75·5—100	4	3	3	5	—	3	5	4	8	7	9
Above 100	1	—	1	—	1	3	1	5	—	4	3
TOTAL	26	26	26	26	26	26	26	26	26	27	27

STATEMENT 14

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

COFFEE AND RUBBER INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	8	6	5	2	2	3	—	—	—	1	1
0·1— 2·5	—	—	—	—	—	—	—	—	—	—	—
2·5— 5·5	2	4	3	3	2	1	2	1	—	2	4
5·5— 8·5	9	10	9	6	2	4	3	3	2	4	4
8·5—11·5	2	1	4	6	8	6	4	3	5	3	5
11·5—15·5	1	3	2	5	6	8	8	4	9	7	5
15·5—25·5	3	1	2	5	5	4	9	14	9	7	7
25·5—40·5	1	1	1	—	1	—	—	1	1	3	1
Above 40·5	—	—	—	1	—	—	—	—	—	—	—
TOTAL	26	26	26	26	26	26	26	26	26	27	27

STATEMENT 15

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

COFFEE AND RUBBER INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	8	6	5	1	2	3	—	—	—	1	1
0·1— 2·5	—	2	—	—	—	1	—	—	—	1	—
2·5— 5·5	6	2	5	—	1	2	2	2	3	5	5
5·5— 8·5	8	8	6	13	7	5	4	2	9	7	12
8·5—11·5	2	4	6	6	4	4	8	11	5	4	4
11·5—15·5	1	3	1	4	8	8	10	8	7	4	3
15·5—25·5	1	1	3	2	2	3	2	3	1	4	1
Above 25·5	—	—	—	—	—	—	—	—	1	—	—
TOTAL	26	26	26	26	26	26	26	26	26	26	26

STATEMENT 16

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

COFFEE AND RUBBER INDUSTRY

Number of Companies

Dividend as % of Net Worth	Years			
	1948	1951	1956	1957
Nil	6	2	1	1
0·1— 2·5	—	—	—	1
2·5— 5·5	7	7	6	7
5·5—10·5	9	11	13	13
10·5—25·5	4	5	7	5
Above 25·5	—	1	—	—
TOTAL	26	26	27	27

STATEMENT 17

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

PAPER INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	2	2	3	2	3	2	1	1	—	—
0·1—5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10·5	1	—	—	—	—	—	—	—	—	—	—
10·5—15·5	—	1	1	—	1	—	—	—	—	—	—
15·5—20·5	—	—	—	1	2	1	—	—	—	—	—
20·5—25·5	—	—	—	—	—	—	1	—	—	—	—
25·5—50·5	2	1	1	2	3	4	2	6	1	—	2
50·5—75·5	1	2	—	2	1	1	2	2	5	2	2
75·5—100	1	1	2	1	—	—	1	—	1	3	1
Above 100	3	2	3	—	—	—	1	—	1	1	1
TOTAL	9	9	9	9	9	9	9	9	9	6	6

STATEMENT 18

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

PAPER INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	2	2	1	—	1	1	—	—	—	—
0·1—2·5	—	—	—	—	—	—	—	—	—	—	—
2·5—5·5	1	1	1	1	1	2	1	2	2	1	—
5·5—8·5	3	1	1	1	1	—	2	1	—	—	2
8·5—11·5	1	2	3	4	1	1	1	2	1	3	2
11·5—15·5	1	1	2	—	2	3	4	3	4	3	3
15·5—25·5	1	2	—	2	2	2	—	1	2	1	—
25·5—40·5	1	—	—	—	—	—	—	—	—	—	1
Above 40·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL	9	9	9	9	9	9	9	9	9	8	8

STATEMENT 19

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

PAPER INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	1	1	1	—	—	—	—	—	—	—
0·1—2·5	1	—	—	—	—	—	1	—	—	1	—
2·5—5·5	5	3	3	3	—	—	2	4	4	1	2
5·5—8·5	—	1	2	3	6	6	3	2	2	4	5
8·5—11·5	—	1	1	—	1	1	1	1	1	1	—
11·5—15·5	—	1	—	—	—	—	—	—	—	—	—
15·5—25·5	—	—	—	—	—	—	—	—	—	—	—
Above 25·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL	7	7	7	7	7	7	7	7	7	7	7

STATEMENT 20

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

PAPER INDUSTRY

Number of Companies

Dividend as % of Net Worth	Years 1948	1951	1956	1957
NIL	2	—	—	—
0·1—2·5	3	2	1	—
2·5—5·5	3	2	4	3
5·5—10·5	1	4	2	4
10·5—25·5	—	1	—	—
Above 25·5	—	—	—	—
TOTAL	9	9	7	7

STATEMENT 21

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

JUTE INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	7	16	6	4	12	8	3	18	23	16
0·1—5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10.5	—	—	—	—	—	—	—	—	—	—	1
10·5—15·5	—	—	3	1	2	—	1	—	—	—	—
15·5—20·5	2	—	3	2	2	—	—	—	1	—	1
20·5—25·5	—	—	2	2	1	1	1	2	—	1	2
25·5—50·5	6	18	6	18	17	8	9	12	3	2	6
50·5—75·5	14	10	9	11	10	8	10	16	9	4	4
75·5—100	14	4	1	1	3	8	7	7	4	1	3
Above 100	4	2	1	—	2	4	5	1	6	4	2
TOTAL	41	41	41	41	41	41	41	41	41	35	35

STATEMENT 22

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

JUTE INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	2	11	4	3	9	6	3	8	19	16
0·1—2·5	—	1	3	1	1	3	2	2	5	2	—
2·5—5·5	—	8	8	1	5	4	9	4	8	5	7
5·5—8·5	2	9	6	3	—	4	6	8	6	6	4
8·5—11·5	5	3	4	5	6	5	7	8	7	2	2
11·5—15·5	7	9	7	9	5	8	6	12	4	1	4
15·5—25·5	13	7	1	13	16	6	4	3	2	—	2
25.5—40.5	12	2	—	4	4	2	1	1	1	—	—
Above 40·5	1	—	1	1	1	—	—	—	—	—	—
TOTAL	41	41	41	41	41	41	41	41	41	35	35

STATEMENT 23

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

JUTE INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	1	3	12	4	4	8	6	3	7	18	16
0·1—2·5		10	10	1	5	5	5	2	7	4	—
2·5—5·5	30	18	13	11	9	11	17	21	20	6	5
5·5—8·5	9	10	4	19	17	15	10	13	5	6	10
8·5—11·5		—	2	6	6	2	3	2	2	1	2
11·5—15·5	—	—	—	—	—	—	—	—	—	—	1
15·5—25·5	1	—	—	—	—	—	—	—	—	—	1
Above 25·5		—	—	—	—	—	—	—	—	—	—
TOTAL	41	41	41	41	41	41	41	41	41	35	35

STATEMENT 24

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

JUTE INDUSTRY

Number of Companies

Dividend as % of Net Worth	Years 1948	1951	1956	1957
Nil	1	2	12	16
0·1—2·5	2	3	7	7
2·5—5·5	3	7	13	6
5·5—10·5	20	18	2	3
10·5—25·5	15	11	1	1
Above 25·5	—	—	—	—
TOTAL	41	41	35	35

STATEMENT 25

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

COAL INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	6	7	8	5	8	9	16	17	18	12	9
0·1—5·5	—	1	—	—	—	1	—	1	—	—	—
5·5—10·5	—	1	1	—	—	—	—	—	—	1	—
10·5—15·5	—	1	1	—	2	1	—	—	—	—	1
15·5—20·5	2	2	3	2	—	1	—	—	1	—	—
20·5—25·5	5	2	3	3	2	2	1	1	—	—	1
25·5—50·5	13	10	15	16	13	11	7	8	6	6	9
50·5—75·5	13	12	7	9	9	6	8	8	11	8	9
75·5—100	2	4	3	4	4	6	8	4	3	5	4
Above 100	1	2	1	3	4	5	2	3	3	5	4
TOTAL	42	42	42	42	42	42	42	42	42	37	37

STATEMENT 26

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

COAL INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	6	7	7	5	7	9	14	12	12	11	11
0·1— 2·5	1	1	—	—	3	2	3	5	5	2	1
2·5— 5·5	8	8	6	9	9	12	9	7	6	7	9
5·5— 8·5	5	6	4	6	4	5	1	7	6	6	6
8·5—11·5	3	2	6	5	6	1	3	2	3	3	5
11·5—15·5	4	6	4	6	4	3	1	4	4	6	3
15·5—25·5	12	11	11	6	4	5	9	2	4	3	3
25·5—40·5	3	1	4	5	5	5	2	2	1	—	—
Above40·5	—	—	—	—	—	—	—	1	1	1	1
TOTAL	42	42	42	42	42	42	42	42	42	39	39

STATEMENT 27

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

COAL INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	9	11	8	7	8	11	14	12	12	12	10
0·1— 2.5	4	2	1	1	8	5	3	5	7	2	1
2·5— 5.5	18	15	10	18	16	10	14	15	10	8	8
5·5— 8.5	9	13	17	14	11	10	5	7	9	8	10
8·5—11·5	4	2	5	4	1	7	8	4	4	4	2
11·5—15·5	—	1	2	—	—	1	—	1	1	—	2
15·5—25·5	—	—	1	—	—	—	—	—	1	—	1
Above 25·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL	44	44	44	44	44	44	44	44	44	34	34

STATEMENT 28

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

COAL INDUSTRY

Number of Companies

Dividend of % of Net Worth	Years			
	1948	1951	1956	1957
Nil	8	6	10	11
0·1— 2·5	4	6	6	5
2·5— 5·5	10	12	11	13
5·5—10·5	10	13	8	8
10·5—25·5	12	7	4	2
Above 25·5	—	—	—	—
TOTAL	44	44	39	39

STATEMENT 29

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

IRON & STEEL INDUSTRY

Number of Companies

Dividend as % of Net Profits	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	7	4	5	4	4	2	3	3	2	5	4
0·1— 5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10·5	—	1	1	2	—	1	—	—	—	—	—
10·5—15·5	1	—	—	—	1	1	1	—	1	—	—
15·5—20·5	—	—	—	1	—	—	—	2	1	1	—
20·5—25·5	—	—	—	1	3	2	—	1	2	1	1
25·5—50·5	2	5	3	5	5	3	7	5	2	5	8
50·5—75·5	—	3	4	—	2	2	1	1	4	2	2
75·5—100	4	2	2	2	—	4	2	3	2	—	—
Above 100	1	—	—	—	—	—	1	—	1	1	—
TOTAL	15	15	15	15	15	15	15	15	15	15	15

STATEMENT 30

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

IRON & STEEL INDUSTRY

Number of Companies

Dividend as % of Paid-up Capital	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	6	4	3	4	4	2	2	2	2	2	3
0·1— 2·5	—	—	—	—	—	—	—	—	—	—	—
2·5— 5·5	1	2	3	1	1	1	1	1	2	1	—
5·5— 8·5	3	4	3	4	4	5	4	3	3	3	3
8·5— 11·5	—	2	2	1	1	2	4	2	2	1	3
11·5—15·5	3	2	3	4	3	4	2	4	3	3	2
15·5—25·5	2	1	1	1	1	—	2	3	1	2	1
25·5—40·5	—	—	—	—	1	1	—	—	2	1	1
Above 40·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL	15	15	15	15	15	15	15	15	15	13	13

STATEMENT 31

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

IRON & STEEL INDUSTRY

Number of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	5	3	3	4	4	2	2	2	2	2	2
0·1— 2·5	—	1	—	—	—	—	—	—	—	—	—
2·5— 5·5	2	9	6	6	5	6	5	7	7	3	2
5·5— 8·5	3	—	4	1	4	4	4	3	2	4	5
8·5—11·5	3	—	—	2	—	1	1	—	1	—	—
11·5—15·5	—	—	—	—	—	—	—	—	—	—	—
15·5—25·5	—	—	—	—	—	—	1	—	1	—	—
Above 25·5	—	—	—	—	—	—	—	1	—	—	—
TOTAL	13	13	13	13	13	13	13	13	13	9	9

STATEMENT 32

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

IRON & STEEL INDUSTRY

No. of Companies

Dividend as % of Net Worth	Years			
	1948	1951	1956	1957
Nil	3	4	2	4
0·1— 2·5	2	2	1	1
2·5— 5·5	5	5	6	5
5·5—10·5	4	4	4	3
10·5—25·5	1	—	1	1
Above 25·5	—	—	—	—
TOTAL	15	15	14	14

STATEMENT 33

Distribution pattern of Companies according to Dividends as Percentage of Net Profits

CEMENT INDUSTRY

No. of Companies

Dividend as % of Net Profits	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	4	2	3	2	1	3	2	2	2	1	1
0·1— 5·5	—	—	—	—	—	—	—	—	—	—	—
5·5—10·5	—	—	—	—	1	—	—	—	—	—	—
10·5—15·5	—	—	—	1	—	—	—	—	—	—	—
15·5—20·5	1	—	—	—	1	—	—	—	—	—	—
20·5—25·5	—	2	—	—	—	—	—	1	1	—	—
25·5—50·5	—	—	—	—	2	—	2	1	1	1	1
50·5—75·5	—	1	2	2	2	3	—	3	2	3	2
75·5—100	1	2	1	1	—	—	2	—	1	—	1
Above 100	1	—	1	1	—	1	1	—	—	1	1
TOTAL ..	7	7	7	7	7	7	7	7	7	6	6

STATEMENT 34

Distribution pattern of Companies according to Dividends as Percentage of Paid-up Capital

CEMENT INDUSTRY

No. of Companies

Dividend as % of Paid-up capital	Years 1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	4	2	3	2	1	3	2	2	2	1	1
0·1— 2·5	—	1	—	—	—	—	—	—	—	—	—
2·5— 5·5	3	3	3	3	2	1	2	1	—	1	—
5·5— 8·5	—	1	1	1	3	2	1	2	3	2	2
8·5—11·5	—	—	—	1	1	1	2	2	2	2	3
11·5—15·5	—	—	—	—	—	—	—	—	—	—	—
15·5—25·5	—	—	—	—	—	—	—	—	—	—	—
25·5—40·5	—	—	—	—	—	—	—	—	—	—	—
Above 40·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL ..	7	7	7	7	7	7	7	7	7	6	6

STATEMENT 35

Distribution pattern of Companies according to Dividends as Percentage of Average Market Value

CEMENT INDUSTRY

No. of Companies

Dividend as % of A.M. Value	Years										
	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
Nil	3	2	3	2	1	3	2	2	2	1	1
0·1— 2·5	1	1	1	—	—	—	—	—	—	1	—
2·5— 5·5	2	2	2	3	—	1	1	2	3	1	2
5·5— 8·5	1	2	1	2	3	3	3	2	1	2	2
8·5—11·5	—	—	—	—	2	—	1	1	1	—	—
11·5—15·5	—	—	—	—	1	—	—	—	—	—	—
15·5—25·5	—	—	—	—	—	—	—	—	—	—	—
Above 25·5	—	—	—	—	—	—	—	—	—	—	—
TOTAL ..	7	7	7	7	7	7	7	7	7	5	5

STATEMENT 36

Distribution pattern of Companies according to Dividends as Percentage of Net Worth

CEMENT INDUSTRY

No. of Companies

Dividend as % of Net Worth	Years			
	1948	1951	1956	1957
Nil	2	1	1	1
0·1— 2·5	1	1	1	1
2·5— 5·5	4	1	1	2
5·5— 8·5	—	3	3	2
8·5—25·5	—	—	—	—
Above 25·5	—	—	—	—
TOTAL	7	7	6	6

STATEMENT 37

Distribution of Companies according to the Rates of Dividend in various size-groups of Companies in Consumer Goods Industries

(No. of Companies)

Dividend as % of Paid-up capital	Cotton				Sugar				Paper				Tea				Coffee and Rubber			
	Net profits as percentage of paid up capital																			
	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50
0—2 ..	1	1	—	—	—	—	—	—	—	—	—	—	—	—	1	—	—	1	—	—
3—5 ..	4	—	—	—	3	3	—	—	—	—	—	—	11	—	—	—	1	1	—	—
6—8 ..	5	7	1	—	—	2	—	1	1	1	—	—	1	8	—	—	1	2	—	—
9—11 ..	2	12	1	—	—	4	—	—	—	1	—	—	1	6	1	—	—	6	2	—
12—15 ..	—	6	3	—	—	1	4	—	1	1	—	—	—	4	8	—	—	3	3	—
16—25 ..	—	4	12	1	—	2	1	—	—	2	—	—	—	8	21	4	—	—	6	—
26—40 ..	—	—	—	—	—	—	—	2	—	—	—	—	—	—	11	—	—	—	—	10
TOTAL	12	30	17	1	3	12	5	3	2	5	—	—	13	26	42	4	2	13	11	10

STATEMENT 38

Distribution of Companies according to the Rates of Dividend distribution in various size-groups of Companies in Industrial and Capital Goods Industries

(No. of Companies)

Dividend as % of paid-up capital	Jute				Coal				Iron & Steel				Cement			
	Net profits as % of paid up capital															
	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50	0-10	11-25	26-50	Above 50
0—2	—	—	—	—	6	1	—	—	—	—	—	—	2	1	—	—
3—5	4	2	—	—	6	3	—	—	—	1	—	—	2	1	—	—
6—8	7	2	2	—	2	6	—	—	—	5	—	—	1	1	—	—
9—11	1	4	—	—	—	2	1	—	—	—	2	—	—	—	—	—
12—15	—	8	5	—	—	3	2	—	—	1	1	—	—	—	—	—
16—25	—	1	3	—	—	—	5	2	—	—	3	—	—	—	—	—
26—40	—	—	—	1	—	—	—	1	—	—	—	—	—	—	—	—
TOTAL	12	30	17	1	14	15	8	3	—	7	6	—	5	3	—	—

STATEMENT 39

Distribution of Companies according to Management in Capital Goods Industries

Percentage distribution of Number of Companies

Dividend as % of Paid-up Capital (1947—1957)	Jute		Coal		Iron & Steel		Cement	
	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.
Nil	—	—	—	—	—	25	—	—
0—2	3	33	18	22	9	—	33	—
3—5	13	—	22	22	—	25	33	100
6—8	24	67	18	22	46	—	34	—
9—11	13	—	9	—	9	25	—	—
12—15	34	—	9	22	9	25	—	—
16—25	10	—	18	12	27	—	—	—
26—40	3	—	3	—	—	—	—	—
Above 40	—	—	3	—	—	—	—	—
TOTAL ..	100	100	100	100	100	100	100	100

STATEMENT 40

Distribution of Companies according to Management in Consumer Goods Industries

Percentage distribution of Number of Companies

Dividend as % of Paid-up Capital (1947—1957)	Cotton		Sugar		Paper		Tea		Coffee & Rubber	
	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.	Mgd.	Non-Mgd.
Nil ..	—	—	—	—	—	—	2	5	—	—
0—2 ..	4	12	5	—	—	—	5	5	5	—
3—5 ..	8	19	20	33	14	—	12	19	5	20
6—8 ..	12	44	20	—	29	50	9	5	14	—
9—11 ..	29	6	10	33	14	—	6	10	33	20
12—15 ..	16	—	25	34	14	50	14	—	19	40
16—25 ..	31	19	10	—	29	—	27	42	24	20
26—40 ..	—	—	10	—	—	—	20	14	—	—
Above 40	—	—	—	—	—	—	5	—	—	—
TOTAL ..	100	100	100	100	100	100	100	100	100	100

Mgd:—Managing Agency managed companies.
Non-Mgd:—Companies not managed by Managing Agencies.

STATEMENT 41

Indices of Dividends declared on Equity Shares

(1947=100)

Name of Industry	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1. Cotton ..	97	101	112	130	114	131	128	151	153	121
2. Jute ..	42	24	68	70	47	39	46	37	22	35
3. Coal ..	101	123	123	112	115	92	96	111	112	107
4. Iron & Steel ..	113	122	134	148	189	263	274	298	298	408
5. Cement..	135	164	214	258	243	248	266	308	307	340
6. Sugar ..	131	134	158	179	173	229	234	250	300	333
7. Paper ..	82	88	131	116	79	77	116	193	250	276
8. Tea ..	86	91	124	58	18	99	251	102	131	75
9. Coffee & Rubber	97-	128	185	214	192	265	329	314	368	279
All Industries	83	84	111	113	98	118	142	137	142	140

STATEMENT 42

Dividend distribution for selected Companies grouped according to the rates of growth in Assets. (Over 1950—1957)

Growth in Assets (percent)

Dividend	5%		10%		25%		50%		Total	
percentages.	Forward	Cash	Forward	Cash	Forward	Cash	Forward	Cash	Forward	Cash
Nil ..	—	—	—	—	—	1	—	—	—	1
0—2 ..	—	—	—	—	—	1	—	2	—	3
3—5 ..	—	—	—	—	1	1	—	—	1	1
6—8 ..	—	—	—	1	2	—	6	1	8	2
9—11 ..	—	1	1	1	—	—	5	2	6	4
12—15 ..	—	—	—	—	1	—	3	1	4	1
16—25 ..	—	—	—	—	2	1	2	7	4	8
26—40 ..	—	—	—	—	—	—	—	2	—	2
Above 40	—	—	—	—	—	—	—	—	—	—
TOTAL ..	—	1	1	2	6	4	16	15	23	22

Note: 'Forward' means Companies on the forward list of the Stock Exchange. 'Cash' means Companies on the cash list of Stock Exchange.

STATEMENT 43

Industry wise Dividend trends in various age groups of Companies*

(No. of Companies)

Dividend percentages	Cotton (65 Companies)				Jute (41 Companies)				Coal (43 Companies)				Tea (108 companies)				Cement (7 Companies			
	Upto 1918	1919 to 1938	1939 to 1951	1951 to 1957	Upto 1918	1919 to 1939	1939 to 1951	1951 to 1957	Upto 1918	1919 to 1938	1939 to 1951	1951 to 1957	Upto 1918	1919 to 1938	1939 to 1951	1951 to 1957	Upto 1918	1919 to 1938	1939 to 1951	1951 to 1957
0—2 ..	1	1	2	—	1	1	—	—	4	1	3	—	6	2	—	—	—	2	—	—
3—5 ..	2	3	2	—	4	2	—	—	6	1	2	—	8	3	2	—	—	1	2	—
6—8 ..	8	5	—	—	8	3	—	—	4	2	1	—	9	—	1	—	—	2	—	—
9—11 ..	8	7	—	—	4	1	—	—	2	2	—	—	5	2	—	—	—	—	—	—
12—15 ..	4	5	—	—	10	1	1	—	4	1	—	—	9	3	—	—	—	—	—	—
16—25 ..	12	5	—	—	3	1	—	—	6	1	—	—	28	5	—	—	—	—	—	—
26—40 ..	—	—	—	—	—	1	—	—	1	—	—	—	17	3	—	—	—	—	—	—
Above 40 ..	—	—	—	—	—	—	—	—	1	—	—	—	3	2	—	—	—	—	—	—
TOTAL ..	35	26	4	—	30	10	1	—	28	8	6	—	85	20	3	—	—	5	2	—
Dividend Percentages					Iron and Steel (15 Companies)				Paper (9 Companies)				Sugar (23 Companies)				Coffee & Rubber (26 Companies)			
0—2 ..	..	..	..	..	—	—	2	—	—	—	—	—	1	—	—	—	—	1	—	—
3—5 ..	..	..	..	..	—	—		—	—	1	—	—	—	3	2	—	—	1	1	—
6—8 ..	..	..	..	..	—	3	2	—	—	3	—	—	—	3	1	—	—	—	3	—
9—11 ..	..	..	..	..	1	1	—	—	1	—	—	—	2	1	—	—	—	1	7	—
12—15 ..	..	..	..	..	1	1	—	—	1	1	—	—	2	4	—	—	—	4	2	—
16—25 ..	..	..	..	..	2	1	—	—	1		—	—	—	2	—	—	—	4	2	—
26—20 ..	..	..	..	..	—	—	—	—	—	—	—	—	—	2	—	—	—	—	—	—
Above 40 ..	..	..	..	..	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
TOTAL .	..				4	6	5	—	3	6	—	—	5	15	3	—	—	11	15	—

*Age grouping of companies has been done on the basis of years of registration falling prior to 1918, between 1919-38, between 1939 to 1951 and 1951 to 1957.

LIST OF 336 PUBLIC COMPANIES SELECTED FOR THE STUDY OF DIVIDEND TRENDS

Cotton Textile Industry

1. Apollo Mills. 2. Arvind Mills. 3. Azam Jahi Mills. 4. Bangalore Woollen & Cotton and Silk Mills Co. 5. Bombay Dyeing & Manufacturing Co. 6. Buckingham & Carnatic Co. 7. Cawnpore Textiles. 8. Central India Spinning, Weaving & Manufacturing Co. 9. Colaba Land & Mills. 10. Coorla Spinning & Manufacturing Co. 11. Delhi Cloth & General Mills. 12. Edward Textiles. 13. Elgin Mills Co. 14. Elphinstone Spg. & Wvg. Mills Co. 15. Finlay Mills. 16. Gokak Mills. 17. Gold Mohur Mills. 18. India United Mills. 19. Indore Malwa United Mills. 20. Kesoram Cotton Mills. 21. Khatau Makanji Spg. & Wvg. Co. 22. Kohinoor Mills Company. 23. Lakshmi Cotton Mfg. Co. 24. Lakshmi Mills Co. 25. Madura Mills Co. 26. Mettur Industries. 27. Minerva Mills. 28. Morarjee Goculdas Spg. Wvg. Co. 29. Mysore Spg. & Mfg. Co. 30. New Great Eastern Spg. & Wvg. Co. 31. New Kaiser-I-Hind Spg. Wvg. Co. 32. Osmanshahi Mills. 33. Phoenix Mills. 34. Podar Mills 35. Sassoon Spg. & Wvg. Co. 36. Shree Niwas Cotton Mills. 37. Simplex Mills Co. 38. Standard Mills Co. 39. Swadeshi Mills Co. 40. Swan Mills. 41. Swadeshi Cotton Mills. 42. Tata Mills. 43. Vasanta Mills. 44. Vishnu Cotton Mills. 45. Alagappa Textiles. 46. Cambodia Mills. 47. Cauvery Spg. & Wvg. Mills. 48. Coimbatore Cotton Mills. 49. Davangere Cotton Mills. 50. Dhanalaxmi Mills. 51. Jawahar Mills. 52. Kothari Textiles. 53. Malabar Spinning. 54. Radhakrishna Mills. 55. Modi Spg. & Wvg. Mills Co. 56. Ahmedabad Mfg. Calico Printing Co. 57. Basanti Cotton Mills. 58. Bengal Laxmi Cotton Mills. 59. Bengal Nagpur Cotton Mills. 60. Century Spg. & Mfg. Co. 61. Coimbatore Kamala Mills. 62. Gaekwar Mills. 63. Hindusthan Cotton Mills. 64. Hukamchand Mills. 65. Jayshree Textiles.

Jute Industry

66. Agarpara Co. 67. Alliance Jute Mills. 68. Anglo India Jute Mills. 69. Auckland Jute Co. 70. Bally Jute Co. 71. Belvedere Jute Mills. 72. Bengal Jute Mills. 73. Birla Jute Mfg. Co. 74. Budge Budge Jute Mills. 75. Caledonian Jute Mills. 76. Champdany Jute Co. 77. Cheviot Mills Co. 78. Clive Mills Co. 79. Dalhousie Jute Co. 80. Delta Jute Mills. 81. Empire Jute Co. 82. Fort Gloster Jute Mfg. Co. 83. Ganges Mfg. Co. 84. Gourepore Co. 85. Hastings Mills. 86. Howrah Mills. 87. Hukam Chand Jute Mills. 88. India Jute Co. 89. Kamarhatty Co. 90. Kanknarah Co. 91. Kelvin Jute Co. 92. Kharddah Co. 93. Kinnson Jute Mills. 94. Lansdowne Jute Co. 95. Lawrence Jute Co. 96. Megna Mills Co. 97. Naihati Jute Mills. 98. National Co. 99. New Central Jute Mills. 100. Northbrook Jute Co. 101. Nuddea Mills Co. 102. Presidency Jute Mills. 103. Rameshwara Jute Mills. 104. Reliance Jute Mills. 105. Standard Jute Co. 106. Union Jute Co. Mills.

Coal Industry

107. Amalgamated Coal Fields. 108. Bengal Bhatdee Coal Co. 109. Bengal Coal Co. 110. Bengal Nagpur Coal Co. 111. Bhalgora Coal Co. 112. Bharat Collieries. 113. Bhulabharee Coal Co. 114. Borrea Coal Co. 115. Burrakur Coal Co. 116. Central India Coal Fields. 117. Churulia Coal Co. 118. Dhemo Main Collieries. 119. Equitable Coal Co. 120. Ghusick and

Muslia Collieries. 121. Guzdar Kajora Coal Mines. 122. Hurriladhih Coal Co. 123. Jogta Coal Co. 124. Kalapahari Coal Co. 125. Katras Jherriah Coal Co. 126. Khas Kajora Coal Co. 127. Khurdi Coal Co. 128. Lakurka Coal Co. 129. Nazira Coal Co. 130. New Beerbhoom Co. 131. New Manbhoom Coal Co. 132. North-West Coal Co. 133. Ondal Coal Co. 134. Oriental Coal Co. 135. Pench Valley Coal Co. 136. Raneegunge Coal Association. 137. Rewa Coal Fields. 138. Searsole Coal Co. 139. Seebpore Coal Co. 140. Sendra Coal Co. 141. Shree Mahakali Coal Mines. 142. Singareni Collieries Co. 143. South Karanpura Coal Co. 144. Standard Coal Co. 145. Talchar Coal Co. 146. Union Coal Co. 147. Western Bengal Coal Fields. 148. West Jamuria Coal Co.

Iron & Steel Industry

149. Bhartia Electric & Steel Co. 150. Burn & Co. 151. Indian Iron & Steel Co. 152. Jay Engineering Works. 153. Jessop & Co. 154. Kirloskar Brothers. 155. Kumardhubi Engineering Works. 156. National Rolling and Steel Ropes Ltd. 157. National Screw and Wire Products. 158. Premier Construction Co. 159. Tata Iron & Steel Co. 160. Textile Machinery Corporation. 161. Kamani Engineering Corporation. 162. Praga Tools Corporation. 163. Simpson and Co.

Cement Industry

164. Andhra Cement Co. 165. Dalmia Cement Co. 166. Associated Cement Co. 167. Assam Bengal Cement Co. 168. India Cements. 169. Sone Valley Portland Cement Co. 170. Travancore Cement.

Sugar Industry

171. Belapur Sugar Co. 172. Bhopal Sugar Industry. 173. Balrampur Sugar. 174. Carew and Co. 175. Cawnpore Sugar Works. 176. Deccan Sugar and Abkhari Co. 177. Darbhanga Sugar Co. 178. Gwalior Sugar Co. 179. Belsund Sugar Co. 180. India Sugars and Refineries. 181. Modi Sugar Mills. 182. Nizam Sugar Factory. 183. Bharat Sugar Mills. 184. Phaltan Sugar Works. 185. Shree Krishna Gyanoday Sugar Mills. 186. Upper Ganges Sugar Mills. 187. Walchand Sugar Industries. 188. Hindustan Sugar Mills. 189. Jeypore Sugar Co. 190. K.C.P. 191. Jaswant Sugar Mills. 192. Kesar Sugar Mills. 193. Travancore Sugars and Chemicals.

Paper Industry

194. Bengal Paper Mills. 195. India Paper Pulp Co. 196. Mysore Paper Mills. 197. Orient Paper Mills. 198. Punalur Paper Mills. 199. Shree Gopal Paper Mills. 200. Sirpur Paper Mills. 201. Star Paper Mills. 202. Titaghur Paper.

Tea Industry

203. Amluckie Tea Co. 204. Ananda (Assam) Tea Co. 205. Ananda-Bag Tea Co. 206. Arcuttipore Tea Co. 207. Atal Tea Co. (1943). 208. Bagmari Tea Co. 209. Baradighi Tea Co. 210. Banarhat Tea Co. 211. Basmatia Tea Co. 212. Bateli Tea Co. 213. Belgachi Tea Co. 214. Betjan Tea Co. 215. Bhaktawa Tea Co. 216. Birpara Tea Co. 217. Bishnauth Tea Co. 218. Bokakhat Tea Co. 219. Bormah Jan Tea Co. (1936). 220. Borpukhuri Tea Co. 221. Carron Tea Co. 222. Central Cachar Tea Co. 223. Chamong Tea Co. 224. Chandypore Tea Co. 225. Choonabhutti Tea Co. 226. Chundeechera Tea Co. 227. Dauracherra

Tea Co. 228. Dehra Dun Tea. Co. 229. Dejoo Valley Co. 230. Dessai and Parbuttia Tea Co. 231. Delakhat Tea Co. 232. Dhunseri Tea Co. 233. Dibrugarh Co. 234. Dimakusi Tea Co. 235. Dufflaghur Tea Co. 236. Eastern Cachar Tea Co. 237. East India Tea Co. 238. Engo Tea Co. 239. Ethel-bari Tea Co. (1932). 240. Gairkhata Tea Co. 241. Gielle Tea Co. 242. Gillapukari Tea and Seed Co. 243. Gohpur Tea Co. 244. Grob Tea Co. 245. Gungaram Tea Co. 246. Hansqua Tea Co. 247. Hantapra Tea Co. 248. Hasimara Tea Co. 249. Hathikhira Tea Co. 250. Hoograjuli (Assam) Tea Co. 251. Hoolungooree Tea Co. 252. Huldibari Tea Association. 253. Jaybirpara (Dooars) Tea Co. 254. Jayshree Tea Gardens. 255. Jutlbari Tea Co. 256. Kaliti Tea Co. 257. Kilcott Tea Co. 258. Kunchunpore Tea Co. 259. Lackatoorah Tea Co. 260. Lado Tea Co. 261. Long View Tea Co. 262. Methoni Tea Co. 263. Loobah Co. 264. Margaret's Hope Tea Co. 265. Mim Tea Co. 266. Moheema 267. Mothola Co. 268. Murphulani (Assam) Tea Co. 269. Naga Hills Tea Co. 270. Nagaisuree Tea Co. 271. Nagri Farm Tea Co. 272. New Chumta Tea Co. 273. New Cinnatolliah Tea Co. 274. New Dooars Tea Co. 275. New Samanbagh Tea Co. 276. Okayti Tea Co. 277. Oodlabari Co. 278. Pathemara Tea Co. 279. Patrokola Tea Co. 280. Phaskowa Tea Co. 281. Poobong Tea Co. 282. Pussimbing Tea Co. 283. Putinbaree Tea Association. 284. Rajabhat Tea Co. 285. Rajgarh Tea Co. 286. Rajnagar Tea Co. 287. Ranicherra Tea Co. 288. Roopacherra Tea Co. 289. Rungamatee Tea Co. 290. Runglee Rungliot Tea Co. 291. Rydak Tea Syndicate. 292. Sapoi Tea Co. 293. Sarugaon Tea Co. 294. Seajuli Tea Co. 295. Seejok Tea Co. 296. Singell Tea Co. 297. Singtom Tea Co. (1946). 298. Sonai River Tea Co. 299. Soom Tea Co. 300. Sungma Tea Co. 301. Teen Ali Tea Co. 302. Teesta Valley Tea Co. 303. Teliapora Tea Co. 304. Teloijan Tea Co. 305. Tangpani Tea Co. 306. Tezpore Tea Co. 307. Tirrihannah Co. 308. Tongani Tea Co. 309. Tukvar Co. 310. Tyroon Tea Co.

Coffee and Rubber Industry

311. Anaparai Estates. 312. Ballanoor Tea & Rubber Co. 313. Be Be Rubber Estates. 314. Blue Mountain Estates. 315. Chembra Peak Estates. 316. Cochin Malabar Estates. 317. Coffee Lands and Industries (Mysore). 318. Consolidated Coffee Estates. 319. Malabar Agricultural Co. 320. Manar Estates. 321. Mercara Rubbers. 322. Midland Rubber and Produce Co. 323. Neelamalai Tea & Coffee Estates 324. Ouchterlony Valley Estates (1938). 325. Parkside (Meilagherry Hills) Estates Co. 326. Pullangode Rubber and Produce Co. 327. Puthuthottam Estates (1943). 328. Rajagiri Rubber and Produce Co. 329. Shevaroy Estates. 330. Stanes Amalgamated Estate. 331. Teekoy Rubber (India). 332. Travancore Rubbers. 333. Travancore Rubber and Tea Co. 334. Tropical Plantation. 335. Waterfall Estates Ltd., 336. Velimalai Rubber Company Ltd.

STATISTICAL NOTES AND CONCEPTS

A. General Notes :—

1. The Companies grouped in 'Nil' row in statements 1 to 36 contain few cases where the ratio cannot be calculated either because the numerator or denominator is negative or the data in respect thereof are not available or the value of the ratio is negligible.

2. The number of companies studied for individual industries vary in statements (1 to 36 and 44) and Tables (5 to 13, 22 to 24 , 44 and 45) because of the unavailability of information on certain items such as net profits, net worth etc. even though information on other items was available. In statement 37 and 38 only such companies which on the basis of eleven years' results have earned profits, have been included.

3. The averages of ratios used in the study are based on frequency distribution data excepting the averages of dividends as percentage of net profits and paid-up capital used in Tables 5 to 14, which are calculated from the totals of Net Profits, Paid-up capital and Dividends for companies included in the individual industries.

4. The equity price index given in Table 5 to 13 is taken from R.B.I. Bulletins.

B. Concepts used in this study are as follows :—

(i) *Net Profits*—Profits after depreciation and Taxation.

(ii) *Dividends*—Amount distributed on equity shares by way of dividends which in most cases are free of tax.

(iii) *Average Market value of the share*—It is the average of the highest and the lowest quotation in a year.

(iv) *Net Worth*—Paid-up Capital plus free reserves.

(v) *Dividend Rate*—The words 'Average rate', or 'Rate of Dividend', or 'Average return', 'Return' used in this study mean dividend as percentage of equity paid-up capital.

(vi) *Yield*—It means ratio of dividend declared on the share to its average market value.

(vii) *Leaders/laggards in dividends payments*—These have been chosen only from the companies studied in this study on the basis of dividend rates.

(viii) *Index of Capital formation*—'Capital formation' in this index means only the contribution to the capital made by shareholders *i.e.* Net Worth.

(ix) *Treatment of Accounting year*—To reduce data of accounting years of various companies with closing dates spread all over the year to a common basis, the accounting year data are treated to be relating to the calendar year to which major part of the accounting year coincides. For instance Data on accounting year closing on 31st March, 1956 are related to the calendar year 1955.

(x) '..' indicates that ratio cannot be calculated because of—ve numerator or denominator

'—' indicates nil or not available.

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CHART II SHOWING DIVIDENDS AS PERCENTAGE OF AVERAGE MARKET VALUE OF SHARS (1947-57)

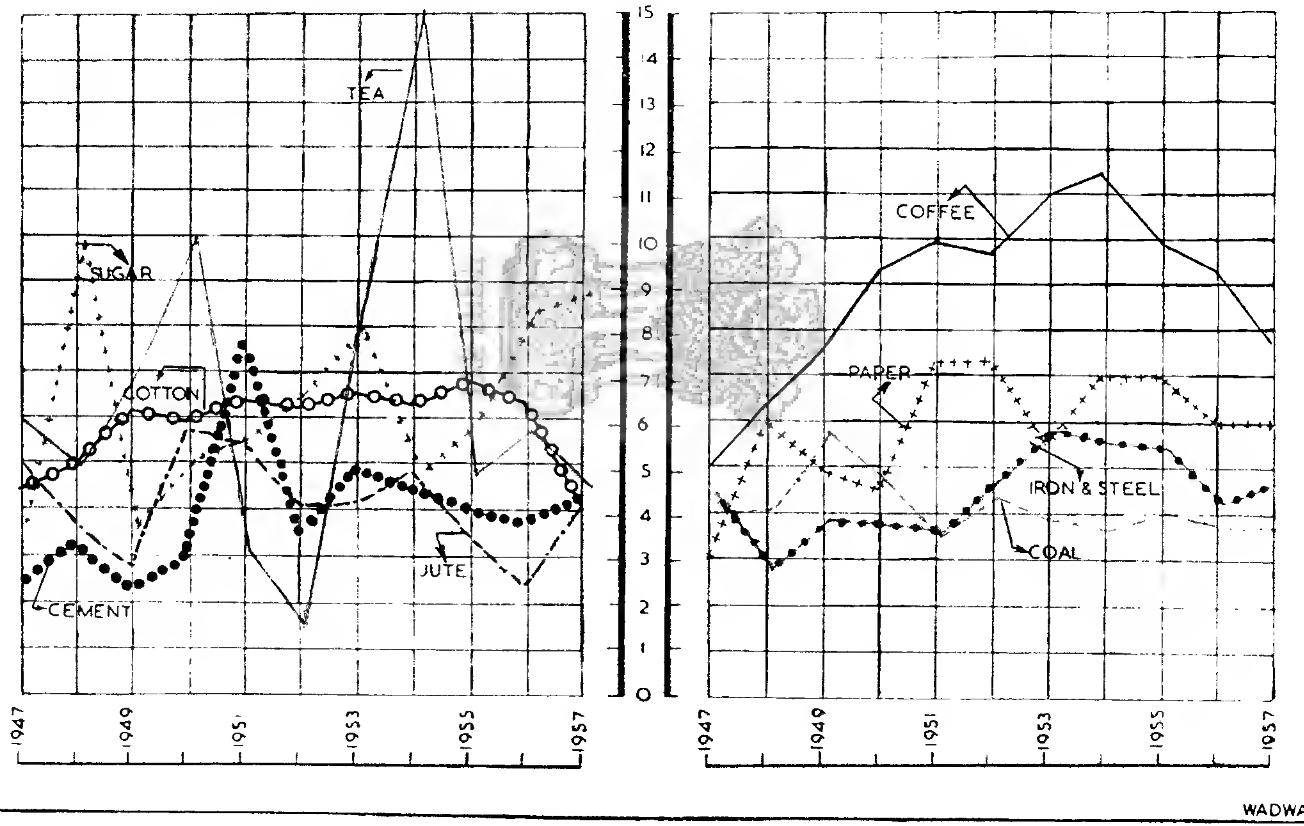

CHART I SHOWING DIVIDENDS AS PERCENTAGE OF PAID-UP CAPITAL (1947-57)